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Allied Textiles Limited

Directors' report and consolidated financial statements

Registered number 3941408

30 September 2005

Contents

Directors' report

The directors present their annual report together with the audited accounts for the year ended 30 September 2005.

Activities

The group is principally engaged in the manufacturing, processing and distribution of textile products.

Review of the business and future developments

During the year the Group has seen some rationalisation of its activities leaving the Group to focus on its more profitable operations.

On 15 March 2005, with trading expected to remain difficult and no significant return to profitability expected in the short term, the Group disposed of its Belgium subsidiary. This reduced group borrowings by £1.9million. A loss on disposal of £2.6million was recorded. In addition, the Group's loss making French operation was closed. The costs of which were fully provided in the previous year.

This resulted in the Group reporting a turnover of £54.2million from continuing operations in the year ended 30 September 2005, in line with that reported in the previous year *(2004: £54.1million)*. An operating profit from continuing operations of £3.8million was generated which was significantly improved from the £2.7million achieved in the prior year.

This improvement was mainly attributed to the German carpet business which had a full year's benefit from the decision to cease manufacturing woven rugs in Germany. This benefit was two-fold. Firstly, finalisation of costs enabled provisions to be adjusted accordingly and more importantly the business was free to concentrate on its core higher margin products.

Trading conditions have remained challenging during the year and this is expected to continue, particularly with the pressures on costs from increased energy charges. However, the Group will continue to keep its cost base under review to ensure it remains competitive and to enable it to take advantage of any opportunities which may arise.

Post balance sheet events

Following the year end the directors have disposed of two of the investment properties and remain focused on disposing of the remaining property.

Results and dividends

The loss for the year amounted to £0.8million *(2004: loss £0.5 million)*. The directors do not recommend the payment of a dividend and hence the loss has been transferred from reserves.

Directors

JR Corrin
G Willshaw
J Grace

Non-executive directors

MJC Derbyshire
DK Wilkinson
AK Mair (appointed 26 January 2005, retired 7 March 2006)

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. They are eligible for promotion and within the limits of their disabilities are given equal consideration with other applicants. It is the group's policy to continue to employ any persons who become disabled whilst in the group's employment.

Employee involvement

The group is committed to the development of employee consultation so that the views of the employees can be taken into account when making decisions which are likely to affect their interests.

Directors' report *(continued)*

Directors' interests

The interests of the directors in the share capital of the company are as follows:

	30 September 2005 Ordinary shares No.	**30 September 2004 Ordinary shares No.**
JR Corrin	122,675	122,675
G Willshaw	122,675	122,675
MJC Derbyshire	25,000	25,000

No other directors had any interest in the share capital of the company as at 30 September 2005.

Political and charitable donations

No contributions were made by the group during the year for political purposes. Donations amounting to £7,000 *(2004: £5,000)* were made for charitable purposes.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

J Grace
Secretary

Allied House
Centre 27 Business Park
Bankwood Way
Birstall
West Yorkshire
WF17 9TB

24 July 2006

Statement of directors' responsibilities

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 group and of the profit or loss 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 company 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 group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

KPMG

1 The Embankment
Neville Street
Leeds
LS1 4DW
United Kingdom

Independent auditors' report to the members of Allied Textiles Limited

We have audited the financial statements on pages 5 to 33.

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

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

Basis of audit opinion

We conducted our audit in accordance with 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 30 September 2005 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

24 July 2006

Consolidated profit and loss account

Year ended 30 September 2005

	Notes	Continuing operations £m	Discontinued operations £m	Year ended 30 September 2005 Total £m	Year ended 30 September 2004 Total £m
Turnover	*2,3*	**54.2**	**4.0**	**58.2**	66.0
Cost of sales		**(40.6)**	**(3.1)**	**(43.7)**	(50.2)
Gross profit		**13.6**	**0.9**	**14.5**	15.8
Distribution costs		**(4.6)**	**(0.6)**	**(5.2)**	(6.3)
Administrative expenses		**(5.2)**	**(0.3)**	**(5.5)**	(7.2)
Operating profit	*3-6*	**3.8**	**-**	**3.8**	2.3
Provision for discontinuing operations	*7*	**-**	**-**	**-**	(1.0)
Loss on disposal of discontinued operations	*27*	**-**	**(2.6)**	**(2.6)**	-
Profit on sale of fixed assets		**-**	**-**	**-**	0.3
Profit/(loss) on ordinary activities before interest		**3.8**	**(2.6)**	**1.2**	1.6
Interest	*8*			**(1.7)**	(1.9)
Loss on ordinary activities before taxation				**(0.5)**	(0.3)
Tax on loss on ordinary activities	*9*			**(0.3)**	(0.2)
Retained loss for the financial year transferred from reserves	*23,24*			**(0.8)**	(0.5)

There is no difference between the historical cost loss and the loss reported above.

A reconciliation of the movement in shareholders' funds is given in note 24.

Consolidated statement of total recognised gains and losses

Year ended 30 September 2005

	Year ended 30 September 2005 £m	Year ended 30 September 2004 £m
Loss for the financial period	**(0.8)**	(0.5)
Currency translation differences on foreign currency investments	**0.2**	-
Unrealised surplus on revaluation of investment properties	**6.3**	-
Total recognised gains and losses	**5.7**	(0.5)

Consolidated balance sheet
as at 30 September 2005

	Notes	2005 £m	2004 £m
Fixed assets			
Intangible assets	*11*	**3.6**	3.9
Tangible assets	*12*	**14.3**	10.9
		17.9	14.8
Current assets			
Stocks	*14*	**7.9**	11.6
Debtors	*15*	**8.2**	10.2
Investments	*16*	**-**	1.0
Cash at bank and in hand		**1.3**	2.2
		17.4	25.0
Creditors: amounts falling due within one year	*17*	**(16.2)**	(20.0)
Net current assets		**1.2**	5.0
Total assets less current liabilities		**19.1**	19.8
Creditors: amounts falling due after more than one year	*18*	**(13.6)**	(19.0)
Provisions for liabilities and charges	*20*	**(0.2)**	(1.2)
Net assets/(liabilities)		**5.3**	(0.4)
Capital and reserves			
Called up share capital	*22*	**0.3**	0.3
Share premium account	*23*	**0.9**	0.9
Revaluation reserve	*23*	**6.3**	-
Profit and loss account	*23*	**(2.2)**	(1.6)
Shareholders' funds/(deficit)– equity	*24*	**5.3**	(0.4)

These financial statements were approved by the board of directors on 24 July 2006 and were signed on its behalf by:

JR Corrin
Director

J Grace
Director

Company balance sheet
as at 30 September 2005

	Notes	2005 £m	2004 £m
Fixed assets			
Investments	*13*	**106.1**	106.1
Current assets			
Debtors	*15*	**0.1**	0.1
Creditors: amounts falling due within one year	*17*	**(93.8)**	(89.3)
Net current liabilities		**(93.7)**	(89.2)
Total assets less current liabilities		**12.4**	16.9
Creditors: amounts falling due after more than one year	*18*	**(13.0)**	(17.3)
Net liabilities		**(0.6)**	(0.4)
Capital and reserves			
Called up share capital	22	**0.3**	0.3
Share premium account	23	**0.9**	0.9
Profit and loss account	23	**(1.8)**	(1.6)
Shareholders' deficit – equity	*24*	**(0.6)**	(0.4)

The financial statements were approved by the board of directors on 24 July 2006 and were signed on its behalf by:

J R Corrin

JR Corrin
Director

J Grace
Director

Consolidated cash flow statement

Year ended 30 September 2005

	Notes	Year ended 30 September 2005		Year ended 30 September 2004	
		£m	£m	£m	£m
Net cash inflow from operating activities	26		**5.6**		6.7
Returns on investments and servicing of finance					
Interest paid		**(3.3)**		(0.9)	
			(3.3)		(0.9)
Taxation			**(0.5)**		(0.1)
Capital expenditure					
Payments to acquire tangible fixed assets		**(2.3)**		(1.9)	
Proceeds from sales of tangible fixed assets		**0.5**		0.8	
			(1.8)		(1.1)
Acquisitions and disposals					
Proceeds from sale of business	27	**0.1**		-	
			0.1		-
Cash inflow before use of liquid resources and financing			**0.1**		4.6
Management of liquid resources	28		**1.0**		1.3
Financing	29		**(3.5)**		(4.5)
(Decrease)/increase in net cash			**(2.4)**		1.4

Reconciliation of net cash flow to movement in net debt

Year ended 30 September 2005

	Notes	2005 £m	2004 £m
(Decrease)/increase in net cash in the period		**(2.4)**	1.4
Decrease in debt resulting from cash flows		**3.5**	4.5
Cash inflow from reduction in liquid resources		**(1.0)**	(1.3)
Disposal of Belgium		**1.9**	-
Other non-cash movements		**0.1**	-
Decrease in net debt in the period		**2.1**	4.6
Net debt at start of period		**(20.6)**	(25.2)
Net debt at end of period	30	**(18.5)**	(20.6)

Notes
(forming part of the financial statements)

1 Accounting policies

Accounting concepts

These financial statements are prepared in accordance with applicable accounting standards and the following accounting policies have been followed consistently in dealing with items which are considered material in relation to the group's financial statements.

Consolidation and goodwill

The consolidated financial statements incorporate the financial statements of the company and all its subsidiary undertakings ("subsidiaries"). All financial statements are made up to 30 September 2005.

The acquisition method of accounting has been adopted. Under this method, the results of the subsidiary undertaking acquired or disposed of in the year are included in the consolidated profit and loss from the date of acquisition or up to the date of disposal. At the date of acquisition of a business, fair values are attributed to the net assets acquired. Goodwill is capitalised and written off to the profit and loss account over a period appropriate to each investment but no more than 20 years in accordance with Financial Reporting Standard 10.

Turnover

Turnover is the aggregate invoiced value of sales and services, excluding value added tax and intra-group transactions, and is shown net of returns and allowances.

Stocks

Stocks are valued at cost or, if lower, at net realisable value. Cost comprises raw materials, direct labour and, where appropriate, includes a proportion of production overheads.

Tangible fixed assets

Depreciation is charged to write off the cost less estimated residual value of tangible fixed assets by equal instalments over their anticipated useful lives at the following annual rates:

Freehold buildings/Leasehold property	2%
Plant and machinery	10-33 ⅓ %

Investments in subsidiaries

Investments in subsidiaries are stated at cost less provision for any impairment in value.

Deferred taxation

Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

Notes *(continued)*

1 Accounting policies *(continued)*

Investment properties

In accordance with Statement of Standard Accounting Practice 19 'Accounting for Investment Properties':

(i) investment properties held are revalued on an annual basis by the directors of the company to open market value. The aggregate surplus or deficit is transferred to the revaluation reserve except that any permanent diminution in the value of an investment property is taken to the profit and loss account for the year;

(ii) no depreciation or amortisation is provided in respect of freehold investment properties.

This treatment, as regards certain of the company's investment properties, may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption, but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Leased assets

Tangible fixed assets operated under the terms of finance leases are capitalised at a value equal to the cost incurred in acquiring the relevant assets and depreciated in the same manner as owned assets or over the term of the lease if shorter. Finance charges are charged to the profit and loss account over the period of the lease. Payments made under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Pensions

The anticipated cost to the group of pensions in respect of defined benefit pension schemes is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the schemes. The costs in respect of defined contribution pension schemes are charged to the profit and loss account in the years that they are payable. The transitional provisions for FRS 17: Retirement Benefits have been applied in the year.

Foreign currency

All assets and liabilities denominated in foreign currencies are translated into sterling at the rates ruling on the balance sheet date. The income and cash flow statements of overseas undertaking are translated at the average rates of exchange for the relevant accounting periods. Gains or losses arising on the translation of the financial statements of foreign subsidiaries are taken to reserves. Other exchange gains and losses are dealt with in the group profit and loss account.

2 Segmental analysis

	Year ended 30 September 2005 £m	Year ended 30 September 2004 £m
Geographical analysis of turnover by market		
UK	**29.2**	31.4
Other EU	**22.0**	28.2
North America	**3.8**	3.6
Other areas	**3.2**	2.8
	58.2	66.0

Notes *(continued)*

2 Segmental analysis *(continued)*

Analysis of turnover by business activity	Year ended 30 September 2005 £m	Year ended 30 September 2004 £m
Synthetic Fibres	**38.2**	39.0
Carpets	**16.0**	15.1
	54.2	54.1
Discontinued operations	**4.0**	11.9
	58.2	66.0

The directors regard further segmental analysis disclosure as being seriously prejudicial to the interests of the group.

3 Comparative analysis of continuing and discontinued activities

Discontinued operations comprises the results of Allied Textile Co (Belgium) NV and Allied Textiles France SARL.

Year ended 30 September 2004

	Notes	Continuing operations £m	Discontinued operations £m	Total 2004 £m
Turnover	*2*	54.1	11.9	66.0
Cost of sales		(40.2)	(10.0)	(50.2)
Gross profit		13.9	1.9	15.8
Distribution costs		(4.8)	(1.5)	(6.3)
Administrative expenses		(6.4)	(0.8)	(7.2)
Operating profit/ (loss)	*4*	2.7	(0.4)	2.3

4 Operating profit

		Year ended 30 September 2005 £m	Year ended 30 September 2004 £m
Operating profit is stated after charging/(crediting):			
Depreciation and impairment losses		**2.4**	3.6
Goodwill amortisation		**0.3**	0.2
Profit on disposal of plant and machinery		**(0.1)**	(0.1)
Operating lease payments:	- rental land and buildings	**-**	0.1
	- other	**0.1**	-
Remuneration of the group auditors	- audit fees	**0.1**	0.1
	- other services	**0.1**	0.1

The company audit fees were £5,000 *(2004: £5,000)*.

Fees for other services provided to the company by its auditors totalled £nil *(2004: £51,000)*.

Notes *(continued)*

5 Directors and employees

	Year ended 30 September 2005 £m	Year ended 30 September 2004 £m
Staff costs (including directors):		
Wages and salaries	**13.1**	14.6
Social security costs	**1.8**	2.3
Other pension costs	**0.4**	0.4
	15.3	17.3

The average number of employees (including directors), principally in textile manufacturing, was 686 *(2004: 804)*.

6 Directors' remuneration

	Year ended 30 September 2005 £000	Year ended 30 September 2004 £000
Directors' emoluments	**469**	459
Pension contributions	**41**	38
	510	497

Highest paid director

Directors' emoluments	**160**	160
Pension contributions	**37**	35
	197	195

Two directors had benefits accruing under individual defined contribution pension arrangements *(2004: two)*.

7 Provision for discontinuing operations

During the previous year, given no signs of improvement in its trading position, the decision was taken to close the Group's loss making French operation. The operation ceased production in December 2004. It was classified as discontinued in the 2004 statutory accounts and provisions were made to cover closure costs, as analysed below.

	Notes	£m
Fixed assets		0.1
Stock		0.2
Provisions for liabilities and charges	*20*	0.7
		1.0

The provision has been utilised for its intended purpose in the current year. There are no such provisions created in the current year.

Notes *(continued)*

8 Interest

	Year ended 30 September 2005 £m	Year ended 30 September 2004 £m
Interest payable and similar charges:		
Bank loans and overdrafts	**(0.4)**	(0.6)
Other loans	**(1.3)**	(1.3)
	(1.7)	(1.9)

9 Taxation

Analysis of charge/ (credit) in period	**Year ended 30 September 2005 £m**	Year ended 30 September 2004 £m
UK corporation tax		
Current tax on income for the period	**0.4**	0.3
Adjustments in respect of prior periods	**(0.1)**	(0.1)
Total current tax	**0.3**	0.2
Tax charge on loss on ordinary activities	**0.3**	0.2

Notes *(continued)*

9 Taxation *(continued)*

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2004: higher) than the standard rate of corporation tax in the UK (30%, 2004: 30%). The differences are explained below.

	2005	2004
	£m	£m
Current tax reconciliation		
Loss on ordinary activities before tax	**(0.5)**	(0.3)
Current tax at 30% (2004: 30%)	**(0.2)**	(0.1)
Effects of:		
Expenses not deductible for tax purposes	**(0.1)**	-
Movement in fixed asset timing differences not recognised	**-**	(0.2)
Loss on disposal of Belgium	**0.8**	-
(Utilisation)/creation of tax losses	**(0.1)**	0.2
Goodwill on consolidation	**0.1**	0.1
French closure provision on consolidation	**(0.1)**	0.3
Adjustments to tax charge in respect of previous periods	**(0.1)**	(0.1)
Total current tax charge (see above)	**0.3**	0.2

10 Loss for the financial period

Under the provisions of Section 230 (4) of the Companies Act 1985, the company has not produced its own profit and loss account. The loss of the holding company dealt with in the consolidated profit and loss account amounted to £(201,000) *(2004: £118,000).*

11 Intangible fixed assets

Group	**Goodwill**
	£m
Cost	
At 1 October 2004 and 30 September 2005	4.9
Amortisation	
At 1 October 2004	1.0
Provided during the year at a rate of 5% per annum	0.3
At 30 September 2005	1.3
Net book value at 30 September 2005	**3.6**
Net book value at 30 September 2004	3.9

Notes *(continued)*

12 Tangible fixed assets

Group	Freehold investment properties £m	Freehold land and buildings £m	Long leasehold buildings £m	Plant and machinery £m	Total £m
Cost					
At 1 October 2004	-	4.8	0.6	19.7	25.1
Additions	-	-	-	2.4	2.4
Transfer	0.2	(0.2)	-	-	-
Adjustment on revaluation	6.3	-	-	-	6.3
Disposal of business	-	(1.7)	-	(2.5)	(4.2)
Disposals	-	(0.5)	-	(1.0)	(1.5)
Exchange	-	-	-	0.1	0.1
At 30 September 2005	6.5	2.4	0.6	18.7	28.2
Depreciation					
At 1 October 2004	-	1.1	0.2	12.9	14.2
Depreciation charge	-	0.1	-	2.3	2.4
Disposal of business	-	(0.6)	-	(1.2)	(1.8)
Disposals	-	(0.3)	-	(0.7)	(1.0)
Exchange	-	-	-	0.1	0.1
At 30 September 2005	-	0.3	0.2	13.4	13.9
Net book value					
At 30 September 2005	**6.5**	**2.1**	**0.4**	**5.3**	**14.3**
At 30 September 2004	-	3.7	0.4	6.8	10.9

The freehold investment properties were valued by the directors at £6,500,000 on the basis of open market value subject to existing tenancy. If the investment properties had not been revalued they would have been included at a historic cost of £214,000. In accordance with SSAP 19 no depreciation is charged on investment properties.

The directors have assessed the value of the properties based on external advice, negotiations with interested parties and taking into consideration market conditions.

Notes *(continued)*

13 Fixed asset investments

Company	Shares in subsidiary undertakings £m
Cost	
At 1 October 2004 and 30 September 2005	**106.1**

Allied Textiles Limited owned 100%, either directly or via a subsidiary undertaking, of the ordinary shares of the following principal subsidiary undertakings:

Subsidiary	Country of incorporation	Activity
Allied Textile Companies Limited	Great Britain	Holding company
ATC Manufacturing Limited*	Great Britain	Manufacturer and processor of textile products
Allied Textile Co BV	Holland	Holding company
Allied Textile France SARL*	France	Weavers of synthetic and natural fibres
Halbmond Teppichwerke GmbH*	Germany	Manufacturer of rugs and carpets
Mayfield Warping Inc	Canada	Processor of synthetic yarns

* sub-subsidiaries

Allied Textile France SARL was liquidated on 30 December 2005.

14 Stocks

	Group 2005 £m	Group 2004 £m
Raw materials	**3.2**	4.2
Work in progress	**1.7**	3.2
Finished goods	**3.0**	4.2
	7.9	11.6

15 Debtors

	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
Trade debtors	**7.3**	9.5	**-**	-
Amounts owed by group companies	**-**	-	**0.1**	0.1
Other debtors	**0.6**	0.5	**-**	-
Prepayments and accrued income	**0.2**	0.2	**-**	-
Corporation tax debtor	**0.1**	-	**-**	-
	8.2	10.2	**0.1**	0.1

Notes *(continued)*

16 Current asset investments

	Group 2005 £m	Group 2004 £m
Short term cash deposits	-	1.0

17 Creditors: amounts falling due within one year

	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
Bank loans (see note 19)	**0.2**	4.4	-	3.8
Other loans (see note 19)	**3.8**	-	**3.8**	-
Secured loan notes (see note 19)	**0.5**	-	**0.5**	-
Other bank facility	**1.7**	-	-	-
Bank overdrafts	-	0.4	**29.5**	22.1
Trade creditors	**2.7**	5.2	-	-
Amounts owed to group companies	-	-	**59.5**	61.2
Other taxes and social security	**0.9**	1.2	**0.1**	0.1
Accruals and deferred income	**6.3**	8.4	**0.4**	2.1
Corporation tax	**0.1**	0.4	-	-
	16.2	20.0	**93.8**	89.3

Bank loans, other bank facilities and other loans are secured by way of fixed and floating charges over the assets of group companies.

All of the borrowings are denominated in Sterling and have interest rate terms ranging from 1.5% to 2% above LIBOR. A charge of £58,000 was paid in the year to secure the other bank facility.

JR Corrin and G Willshaw each have secured loan notes of £1,104,077 (2004: £1,104,077). These are repayable in four equal annual instalments commencing on 30 September 2006. Interest is accrued at LIBOR + 2%.

18 Creditors: amounts falling due after more than one year

	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
Bank loans (see note 19)	**0.6**	1.7	-	-
Other loans (see note 19)	**11.3**	15.1	**11.3**	15.1
Secured loan notes (see note 19)	**1.7**	2.2	**1.7**	2.2
	13.6	19.0	**13.0**	17.3

Bank loans and other loans are secured by way of fixed and floating charges over the assets of group companies.

JR Corrin and G Willshaw each have secured loan notes of £1,104,077 (2004: £1,104,077). These are repayable in four equal annual instalments commencing on 30 September 2006. Interest is accrued at LIBOR + 2%.

Notes *(continued)*

19 Loans

	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
Due within one year	**4.5**	4.4	**4.3**	3.9
Amount due between one and two years	**4.6**	4.8	**4.4**	4.3
Amounts due between two and five years	**9.2**	13.9	**8.8**	13.1
Amounts due in more than five years	**-**	0.5	**-**	-
	18.3	23.6	**17.5**	21.3
Less issue costs	**(0.2)**	(0.2)	**(0.2)**	(0.2)
	18.1	23.4	**17.3**	21.1
Analysed as:				
Creditors: amounts falling due within one year				
Bank loans (see note 17)	**0.2**	4.4	**-**	3.8
Other loans (see note 17)	**3.8**	-	**3.8**	-
Secured loan notes (see note 17)	**0.5**	-	**0.5**	-
Creditors: amounts falling due after more than one year (see note 18)	**13.6**	19.0	**13.0**	17.3
	18.1	23.4	**17.3**	21.1

20 Provisions for liabilities and charges

	Other Provisions (1) £m	Other provisions (2) £m	**Total £m**
Group			
At 1 October 2004	0.5	0.7	**1.2**
Profit and loss account	(0.5)	-	**(0.5)**
Applied	-	(0.5)	**(0.5)**
At 30 September 2005	-	0.2	**0.2**

Other Provisions (1)

The manufacturing of woven rugs in Germany was ceased in 2004. The associated costs have now been finalised and hence the remaining provision has been released.

Other Provisions (2)

As described in note 7, during the previous year a decision was taken to discontinue the activities of the company's French operation. A provision was made to cover the expected costs of closure.

During the current year, the activities have now ceased. However, as at the year end the costs had not been fully finalised and hence part of the provision remains. This will be finalised during the year ended September 2006.

Notes *(continued)*

20 Provisions for liabilities and charges *(continued)*

The elements of deferred taxation are as follows:

	Group 2005 £m	2004 £m
Difference between accumulated depreciation and amortisation and capital allowances	**(0.6)**	(0.7)
Other timing differences	**(0.6)**	(0.6)
Deferred tax asset - undiscounted provision	**(1.2)**	(1.3)

The deferred tax asset has not been recognised in the accounts, in line with the requirements of FRS 19 'Deferred tax', as its reversal is not certain in the near future.

21 Commitments

Capital expenditure of approximately £59,000 *(2004: £537,000)* has been authorised and contracted for at the period end.

Annual commitments under non-cancellable operating leases are as follows:

	2005 Land and buildings £m	2005 Other £m	2004 Land and buildings £m	2004 Other £m
Operating leases which expire:				
In the second to fifth years inclusive	**0.1**	-	0.1	-
In over five years	-	**0.1**	-	0.1
	0.1	**0.1**	0.1	0.1

22 Share capital

	2005 Number	2005 £m	2004 Number	2004 £m
Authorised, allotted, called up and fully paid				
Ordinary shares of £1 each	**245,350**	**0.2**	245,350	0.2
Ordinary shares of 10p each	**25,000**	-	25,000	-
Ordinary 'A' shares of 10p each	**979,650**	**0.1**	979,650	0.1
	1,250,000	**0.3**	1,250,000	0.3

For the purpose of rights to dividends or other distributions, return of assets or other reduction in capital, the ordinary shares and ordinary 'A' shares rank pari passu as if they were one class of share and as if each 'A' ordinary share had a nominal value equal to that of each ordinary share. Ordinary shares and 'A' ordinary shares carry one vote per share.

Notes *(continued)*

23 Reserves

	Revaluation reserve £m	Share premium account £m	Profit and loss account £m	Total £m
Group				
At 1 October 2004	-	0.9	(1.6)	(0.7)
Loss for the financial period	-	-	(0.8)	(0.8)
Currency translation differences	-	-	0.2	0.2
Unrealised surplus on revaluation of investment properties	6.3	-	-	6.3
At 30 September 2005	**6.3**	**0.9**	**(2.2)**	**5.0**
Company				
At 1 October 2004	-	0.9	(1.6)	(0.7)
Loss for the financial period	-	-	(0.2)	(0.2)
At 30 September 2005	**-**	**0.9**	**(1.8)**	**(0.9)**

24 Reconciliations of movements in equity shareholders' funds

	Group		Company	
	2005 £m	2004 £m	**2005 £m**	2004 £m
Loss for the financial period	**(0.8)**	(0.5)	**(0.2)**	(0.1)
Currency translation differences	**0.2**	-	**-**	-
Unrealised surplus on revaluation of investment properties	**6.3**	-	**-**	-
	5.7	(0.5)	**(0.2)**	(0.1)
Opening shareholders' funds	**(0.4)**	0.1	**(0.4)**	(0.3)
Closing shareholders' funds	**5.3**	(0.4)	**(0.6)**	(0.4)

25 Pension costs

The group operates pension schemes for its employees of both the defined benefit and defined contribution type. The schemes are managed independently and funded to cover future pension liabilities (including expected future earnings and pension increases) in respect of service up to the balance sheet date. They are subject to independent valuations at least every three years on the basis of which the qualified actuary certifies the rates of the employer's contributions.

Defined benefit

Whilst the group continues to account for pension costs in accordance with SSAP24 and the disclosures given in (a) below are those required by that standard, under FRS17 Retirement Benefits the transitional disclosures required are in (b).

Notes *(continued)*

25 Pension costs *(continued)*

(a) SSAP24 Accounting for pensions costs

Allied Textile Companies plc Retirement Benefits Plan

The latest actuarial valuation was as at 14 July 2003 and adopted the Attained Age method. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments, assumed to be 5.5% per annum, the rate of inflation assumed to average 3% per annum and the rates of increase in pensions, assumed to increase in accordance with scheme rules. That part of pensions which increases in payment in line with the increase in the Retail Price Index (subject to a maximum each year of 5%) were assumed to increase at a rate of 2.75% per annum. The valuation showed that the market value of the scheme's assets was £9.55 million and that the 'Market Related' value of those assets represented 69.9% of the benefits that had accrued to members.

The new employer's contribution level is £38,000 per month.

Mayfield Yarns Pension Scheme

The latest actuarial valuation was as at 31 March 2005 and adopted the Attained Age method. The principal assumptions were that the annual rate of return on investments would be higher than salary increases by 0.6% per annum and that the rate of increase to pensions once in payment would be determined at the discretion of the trustees annually. Pensions earned before April 1997 are guaranteed to increase by at least 3% per annum and pensions earned thereafter are guaranteed to increase in line with the increase in the Retail Price Index subject to a maximum of 5% per annum. Allowance has been made for increases at a rate of 1.9% below the annual rate of return on investments. The market value of the assets in the scheme represented 101% overall of benefits due to members calculated on the basis of pensionable earnings and service as at the date of the valuation on a market related basis (using the attained age method). The level of the employer's and employees' contributions will continue at £nil to reflect this surplus. The market value of the scheme's assets at the valuation date was £14.8m.

(b) FRS 17 Retirement Benefits

Allied Textile Companies plc Retirement Benefits Plan

The latest full actuarial valuation was carried out at 14 July 2003 *(2003: 14 July 2003)* and was updated for FRS 17 purposes to 30 September 2005.

The major assumptions for this valuation were:

	2005	2004	2003
Inflation rate	**2.9%**	3.0%	2.7%
Rate of increase in salaries	**-**	-	3.7%
Pension increases	**2.9%**	3.0%	2.7%
Discount rate	**5.0%**	5.6%	5.35%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Notes *(continued)*

25 Pension costs *(continued)*

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Value at 2005 £000	Value at 2004 £000	Value at 2003 £000
Equities	**8,381**	6,685	6,494
Gilts/bonds	**3,129**	2,950	2,909
Cash	**166**	266	132
Property	**54**	46	48
Total market value of assets	**11,730**	9,947	9,583
Present value of scheme liabilities	**(15,615)**	(14,043)	(14,440)
Deficit	**(3,885)**	(4,096)	(4,857)
Related deferred tax asset	**1,166**	1,229	1,457
Net pension liability	**(2,719)**	(2,867)	(3,400)

	Long term rate of return 2005	Long term rate of return 2004	Long term rate of return 2003
Equities	**7.8%**	8.1%	8.0%
Gilts/Bonds	**4.4%**	4.9%	4.7%
Cash	**4.5%**	4.75%	3.5%
Property	**7.8%**	8.1%	8.0%

Movement in surplus/deficit during the year

	2005 £000	2004 £000
Deficit in scheme at beginning of year	**(4,096)**	(4,857)
Current service cost	**-**	(6)
Contributions paid	**391**	8
Other finance cost	**(75)**	(112)
Actuarial (loss)/gain	**(105)**	871
Deficit in the scheme at end of year	**(3,885)**	(4,096)

Analysis of other pension costs charged in arriving at operating profit/loss

	2005 £000	2004 £000
Current service cost	**-**	6

Notes *(continued)*

25 Pension costs *(continued)*

Analysis of amounts included in other finance income/costs

	2005	2004
	£000	£000
Expected return on pension scheme assets	**696**	645
Interest on pension scheme liabilities	**(771)**	(757)
	(75)	(112)

Analysis of amount recognised in statement of total recognised gains and losses

	2005	2004
	£000	£000
Actual return less expected return on scheme assets	**1,256**	298
Experience gains and losses arising on scheme liabilities	**(95)**	220
Changes in assumptions underlying the present value of scheme liabilities	**(1,266)**	353
Actuarial (loss)/gain recognised in statement of total recognised gains and losses	**(105)**	871

History of experience gains and losses

	2005	2004	2003
Difference between the expected and actual return on scheme assets:			
Amount (£000)	**1,256**	298	388
Percentage of year end scheme assets	**10.7%**	3.0%	4.0%
Experience gains and losses on scheme liabilities:			
Amount (£000)	**(95)**	220	(41)
Percentage of year end present value of scheme liabilities	**(0.6%)**	1.6%	(0.3%)
Total amount recognised in statement of total recognised gains and losses:			
Amount (£000)	**(105)**	871	(405)
Percentage of year end present value of scheme liabilities	**(0.7%)**	6.2%	(2.8%)

Mayfield Yarns Pension Scheme

The latest full actuarial valuation was carried out at 31 March 2005 and was updated for FRS 17 purposes to 30 September 2005.

The major assumptions for this valuation were:

	2005	2004	2003
Inflation rate	**2.8%**	2.82%	2.72%
Rate of increase in salaries	**4.8%**	4.82%	4.72%
Pension increases	**3.5%**	3.5%	3.0%
Discount rate	**5.0%**	5.52%	5.31%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Notes *(continued)*

25 Pension costs *(continued)*

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Value at 2005 £000	Value at 2004 £000	Value at 2003 £000
Equities	**14,089**	11,979	10,085
Gilts/bonds	**1,169**	864	1,836
Cash	**445**	333	358
Property	**854**	744	710
Total market value of assets	**16,557**	13,920	12,989
Present value of scheme liabilities	**(14,112)**	(12,108)	(11,303)
Surplus	**2,445**	1,812	1,686
Restricted surplus*	**1,165**	931	1,108
Related deferred tax liability	**(340)**	(279)	(332)
Net pension asset	**825**	652	776

*The surplus must be restricted to the maximum benefit the company can derive from this surplus in terms of non-payment of future contributions over the remaining lifetime of the pension scheme membership.

	Long term rate of return 2005	Long term rate of return 2004	Long term rate of return 2003
Equities	**6.75%**	7.0%	7.0%
Gilts/Bonds	**3.75%**	4.0%	4.0%
Cash	**4.0%**	4.25%	3.5%
Property	**6.75%**	7.0%	7.0%

Movement in surplus/deficit during the year

	2005 £000	2004 £000
Surplus in scheme at beginning of year	**931**	1,108
Current service cost	**(158)**	(198)
Other finance income	**263**	198
Actuarial gain/(loss)	**129**	(177)
Surplus in the scheme at end of year	**1,165**	931

Analysis of other pension costs charged in arriving at operating profit

	2005 £000	2004 £000
Current service cost	**158**	198

Notes *(continued)*

25 Pension costs *(continued)*

Analysis of amounts included in other finance income/costs

	2005 £000	2004 £000
Expected return on pension scheme assets	**921**	794
Interest on pension scheme liabilities	**(658)**	(596)
	263	198

Analysis of amount recognised in statement of total recognised gains and losses

	2005 £000	2004 £000
Actual return less expected return on scheme assets	**2,251**	484
Experience gains and losses arising on scheme liabilities	**568**	36
Changes in assumptions underlying the present value of scheme liabilities	**(2,291)**	(394)
Actuarial gain recognised in statement of total recognised gains and losses	**528**	126
Adjustment to surplus capital net gain recognised	**(399)**	(303)
Adjusted actuarial gain/(loss)	**129**	(177)

History of experience gains and losses

	2005	2004	2003
Difference between the expected and actual return on scheme assets:			
Amount (£000)	**2,251**	484	793
Percentage of year end scheme assets	**13.6%**	3.5%	6.1%
Experience gains and losses on scheme liabilities:			
Amount (£000)	**568**	36	(39)
Percentage of year end present value of scheme liabilities	**4.0%**	0.3%	(0.3%)
Total amount recognised in statement of total recognised gains and losses:			
Amount (£000)	**528**	126	320
Percentage of year end present value of scheme liabilities	**3.7%**	1.0%	2.8%

The William Reed Weaving Retirement Benefits Scheme

The latest full actuarial valuation was carried out at 31 December 2003 and was updated for FRS 17 purposes to 30 September 2005.

The major assumptions for this valuation were:

	2005	2004	2003
Inflation rate	**2.75%**	2.5%	2.0%
Rate of increase in salaries	**3.5%**	3.5%	3.5%
Pension increases	**3.0%**	3.0%	3.0%
Discount rate	**5.0%**	5.5%	5.5%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Notes *(continued)*

25 Pension costs *(continued)*

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Value at 2005 £000	Value at 2004 £000	Value at 2003 £000
Equities	**4,822**	3,523	3,175
Gilts/bonds	**-**	431	492
Cash	**26**	102	86
Total market value of assets	**4,848**	4,056	3,753
Present value of scheme liabilities	**(3,924)**	(3,450)	(2,994)
Surplus	**924**	606	759
Related deferred tax liability	**(277)**	(182)	(228)
Net pension asset	**647**	424	531

	Long term rate of return 2005	Long term rate of return 2004	Long term rate of return 2003
Equities	**6.7%**	6.7%	6.7%
Gilts/Bonds	**5.5%**	5.5%	5.5%
Other	**4.0%**	4.0%	4.0%

Movement in surplus during the year

	2005 £000	2004 £000
Surplus in scheme at beginning of year	**606**	759
Current service cost	**(56)**	(27)
Contributions paid	**69**	45
Other finance income	**62**	65
Actuarial gain/(loss)	**243**	(236)
Surplus in the scheme at end of year	**924**	606

Analysis of other pension costs charged in arriving at operating profit/loss

	2005 £000	2004 £000
Current service cost	**56**	27

Notes *(continued)*

25 Pension costs *(continued)*

Analysis of amounts included in other finance income

	2005 £000	2004 £000
Expected return on pension scheme assets	**251**	228
Interest on pension scheme liabilities	**(189)**	(163)
	62	65

Analysis of amount recognised in statement of total recognised gains and losses

	2005 £000	2004 £000
Actual return less expected return on scheme assets	**585**	128
Experience gains and losses arising on scheme liabilities	**(44)**	(139)
Changes in assumptions underlying the present value of scheme liabilities	**(298)**	(225)
Actuarial gain/(loss) recognised in statement of total recognised gains and losses	**243**	(236)

History of experience gains and losses

	2005	2004	2003
Difference between the expected and actual return on scheme assets:			
Amount (£000)	**585**	128	242
Percentage of year end scheme assets	**12.1%**	3.2%	6.4%
Experience gains and losses on scheme liabilities:			
Amount (£000)	**(44)**	(139)	(13)
Percentage of year end present value of scheme liabilities	**(1.1%)**	(4.0)%	(0.4%)
Total amount recognised in statement of total recognised gains and losses:			
Amount (£000)	**243**	(236)	170
Percentage of year end present value of scheme liabilities	**6.2%**	(6.8%)	5.7%

JB Broadley Retirement Benefits Scheme

The latest full actuarial valuation was carried out at 1 June 2002 and was updated for FRS 17 purposes to 30 September 2005.

The major assumptions for this valuation were:

	2005	2004	2003
Inflation rate	**2.9%**	3.0%	2.75%
Rate of increase in salaries	**4.4%**	4.5%	4.25%
Pension increases	**3.0%**	3.0%	2.75%
Discount rate	**4.9%**	5.5%	5.0%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Notes *(continued)*

25 Pension costs *(continued)*

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Value at 2005 £000	Value at 2004 £000	Value at 2003 £000
Equities	**1,213**	977	-
Gilts/bonds	**1,722**	1,512	-
Cash	**70**	87	-
Other	**-**	-	2,324
Total market value of assets	**3,005**	2,576	2,324
Present value of scheme liabilities	**(3,698)**	(3,124)	(3,224)
Deficit	**(693)**	(548)	(900)
Related deferred tax asset	**208**	164	270
Net pension liability	**(485)**	(384)	(630)

	Long term rate of return 2005	Long term rate of return 2004	Long term rate of return 2003
Equities	**7.0%**	7.0%	-
Gilts/Bonds	**4.5%**	5.5%	-
Cash	**4.0%**	4.75%	-
Other	**-**	-	5%

Movement in deficit during the year

	2005 £000	2004 £000
Deficit in scheme at beginning of year	**(548)**	(900)
Current service cost	**(50)**	(74)
Contributions paid	**116**	118
Other finance cost	**(13)**	(44)
Actuarial (loss)/gain	**(198)**	352
Deficit in the scheme at end of year	**(693)**	(548)

Analysis of other pension costs charged in arriving at operating profit/loss

	2005 £000	2004 £000
Current service cost	**50**	74

Notes *(continued)*

25 Pension costs *(continued)*

Analysis of amounts included in other finance income/costs

	2005 £000	2004 £000
Expected return on pension scheme assets	**156**	118
Interest on pension scheme liabilities	**(169)**	(162)
	(13)	(44)

Analysis of amount recognised in statement of total recognised gains and losses

	2005 £000	2004 £000
Actual return less expected return on scheme assets	**235**	58
Experience gains and losses arising on scheme liabilities	**(75)**	68
Changes in assumptions underlying the present value of scheme liabilities	**(358)**	226
Actuarial (loss)/gain recognised in statement of total recognised gains and losses	**(198)**	352

History of experience gains and losses

	2005	2004	2003
Difference between the expected and actual return on scheme assets:			
Amount (£000)	**235**	58	(207)
Percentage of year end scheme assets	**7.8%**	2.3%	(8.9%)
Experience gains and losses on scheme liabilities:			
Amount (£000)	**(75)**	68	16
Percentage of year end present value of scheme liabilities	**(2.0%)**	2.2%	0.5%
Total amount recognised in statement of total recognised gains and losses:			
Amount (£000)	**(198)**	352	(253)
Percentage of year end present value of scheme liabilities	**(5.4%)**	11.3%	(7.8%)

ATC Manufacturing Limited Cash Benefit and Life Assurance Scheme

The latest full actuarial valuation was carried out at 1 January 2004 *(2004: 1 January 2004)* and was updated for FRS 17 purposes to 30 September 2005.

The major assumptions for this valuation were:

	2005	2004	2003
Inflation rate	**2.85%**	3.0%	2.75%
Rate of increase in salaries	**3.35%**	3.5%	3.25%
Pension increases	**5.0%**	5.0%	5.0%
Discount rate	**5.0%**	5.5%	5.25%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Notes *(continued)*

25 Pension costs *(continued)*

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Value at 2005 £000	Value at 2004 £000	Value at 2003 £000
Other	**238**	230	198
Total market value of assets	**238**	230	198
Present value of scheme liabilities	**(103)**	(96)	(93)
Surplus	**135**	134	105
Restricted surplus*	**75**	81	82
Related deferred tax liability	**(23)**	(24)	(25)
Net pension asset	**52**	57	57

*The surplus must be restricted to the maximum benefit the company can derive from this surplus in terms of non-payment of future contributions over the remaining lifetime of the pension scheme membership.

	Long term rate of return 2005	Long term rate of return 2004	Long term rate of return 2003
Other	**6.0%**	6.0%	6.0%

Movement in surplus/deficit during the year

	2005 £000	2004 £000
Surplus in scheme at beginning of year	**81**	82
Current service cost	**(8)**	(7)
Contributions paid	**5**	5
Other finance income	**8**	7
Actuarial loss	**(11)**	(6)
Surplus in the scheme at end of year	**75**	81

Analysis of other pension costs charged in arriving at operating profit/loss

	2005 £000	2004 £000
Current service cost	**8**	7

Notes *(continued)*

25 Pension costs *(continued)*

Analysis of amounts included in other finance income/costs

	2005 £000	2004 £000
Expected return on pension scheme assets	**13**	12
Interest on pension scheme liabilities	**(5)**	(5)
	8	7

Analysis of amount recognised in statement of total recognised gains and losses

	2005 £000	2004 £000
Actual return less expected return on scheme assets	**3**	19
Experience gains and losses arising on scheme liabilities	**(2)**	(1)
Changes in assumptions underlying the present value of scheme liabilities	**(5)**	6
Actuarial (loss)/gain recognised in statement of total recognised gains and losses	**(4)**	24
Adjustment to surplus capital net gain recognised	**(7)**	(30)
Adjusted actuarial (loss)	**(11)**	(6)

History of experience gains and losses

	2005	2004	2003
Difference between the expected and actual return on scheme assets:			
Amount (£000)	**3**	19	(2)
Percentage of year end scheme assets	**1.3%**	8.2%	(1.0%)
Experience gains and losses on scheme liabilities:			
Amount (£000)	**(2)**	(1)	-
Percentage of year end present value of scheme liabilities	**(1.9%)**	(1.1%)	-
Total amount recognised in statement of total recognised gains and losses:			
Amount (£000)	**(4)**	24	(6)
Percentage of year end present value of scheme liabilities	**(3.9%)**	25%	(6.5%)

The total amount of these net pension liabilities would have a consequential effect on the net assets and reserves of the Group as follows:

	2005 £m	2004 £m
Net assets/(liabilities)		
Net assets/(liabilities) excluding pension asset in relation to FRS 17	**5.3**	(0.4)
Reversal of provisions recognised in accordance with SSAP 24	**1.2**	1.0
Pension liability in accordance with FRS 17	**(1.7)**	(2.1)
Net assets/(liabilities) including pension liabilities	**4.8**	(1.5)

Notes *(continued)*

25 Pension costs *(continued)*

	2005 £m	2004 £m
Reserves		
Profit and loss reserve excluding pension asset in relation to FRS 17	**(2.2)**	(1.6)
Reversal of provisions recognised in accordance with SSAP 24	**1.2**	1.0
Pension liability in accordance with FRS 17	**(1.7)**	(2.1)
Profit and loss reserve	**(2.7)**	(2.7)

Defined contributions scheme

Group companies also operate a defined contribution pension scheme, the assets of which are held separately from those of the company, as independently administered funds. The amount charged to the profit and loss account in respect of the defined contribution scheme is the contribution in the year and amounted to £0.2million (*2004: £0.2million*).

26 Reconciliation of operating profit to net cash inflow from operating activities

	2005 £m	2004 £m
Operating profit	**3.8**	2.3
Depreciation	**2.4**	3.5
Amortisation of goodwill	**0.3**	0.2
Profit on disposal of fixed assets	**(0.1)**	(0.1)
Decrease in stocks	**0.2**	1.0
Decrease in debtors	**0.5**	1.4
Decrease in creditors and provisions	**(1.5)**	(1.6)
Net cash inflow from operating activities	**5.6**	6.7

27 Sale of business

On 15 March 2005, the group disposed of its Belgium subsidiary, Allied Textile Co (Belgium) NV and hence this has been classified as a discontinued operation.

Net assets disposed of:

	£m
Fixed assets	2.4
Stock	3.5
Debtors	1.4
Creditors	(2.7)
Bank loans	(1.9)
	2.7
Loss on disposal	(2.6)
	0.1

28 Management of liquid resources

	2005 £m	2004 £m
Decrease in short-term cash deposits	**(1.0)**	(1.3)

Notes *(continued)*

29 Financing

	2005 **£m**	2004 £m
New loans	**0.9**	0.1
Repayment of loans	**(4.4)**	(4.6)
	(3.5)	(4.5)

30 Analysis of changes in net debt

	At 1 October 2004 £m	Cash flows £m	Disposal of Belgium £m	Non-cash movements £m	**At 30 September 2005 £m**
Cash at bank and in hand	2.2	(1.1)	-	0.2	**1.3**
Bank overdrafts	(0.4)	(1.3)	-	-	**(1.7)**
	1.8	(2.4)	-	0.2	**(0.4)**
Debt due within one year	(4.4)	3.5	1.9	(5.5)	**(4.5)**
Debt due after one year	(19.0)	-	-	5.4	**(13.6)**
Current asset investments	1.0	(1.0)	-	-	**-**
Net debt	(20.6)	0.1	1.9	0.1	**(18.5)**