Company Registration No. 924669

Deloitte & Touche

CARPETS INTERNATIONAL (UK) LIMITED

Report and Financial Statements

31 December 2000

Deloitte & Touche
10-12 East Parade
Leeds
LS1 2AJ

CARPETS INTERNATIONAL (UK) LIMITED

Deloitte & Touche

REPORT AND FINANCIAL STATEMENTS 2000

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CARPETS INTERNATIONAL (UK) LIMITED

Deloitte & Touche

REPORT AND FINANCIAL STATEMENTS 2000

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R Boe
B A McLean
R L Cravey

SECRETARY

A W Barfield

REGISTERED OFFICE

Toftshaw Lane
Bradford
BD4 6QW

BANKERS

Fleet Boston Financial
39 Victoria Street
London
SW1H 0ED

SOLICITORS

Eversheds
Cloth Hall Court
Infirmary Street
Leeds
LS1 2JB

AUDITORS

Deloitte & Touche
10-12 East Parade
Leeds
LS1 2AJ

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2000.

ACTIVITIES

Carpets International (UK) Limited ("CI"), the UK's largest producer of tufted carpets, operated seven manufacturing sites and two distribution facilities with 1,790 people during 2000. All carpets are produced in two plants from yarns and fibres processed in five separate operations, which include; polypropylene and polyester extrusion; filament twisting and heat setting and wool and synthetic fibre spinning. The range of styling and price points offer solid colours in different textures, solid and coloured patterns and a five year stain warranty on most of the well known brands for the Retail and Contract trades. Carpets are sold mainly through Kosset, Wilton Royal, Abingdon, Crossley, Lancaster and CI Contracts, with a large distribution network to service retailers direct throughout the UK with a dedicated transport fleet. While the major portion of business is in the UK, sales have been expanded on medium priced patterned products to Europe, the Mid-East and the US.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

Trading in the first half of 2000 was relatively flat when compared to 1999, and two consecutive quarter point interest increases in January and February respectively did little to bolster consumer confidence which is of prime underlying importance to the U.K. Carpet Industry. Continued consolidation problems into our primary distribution depot at Hull brought about an exceptional charge to the profit and loss account of £4.7m. The disruption was settling as the third quarter began and the newly consolidated depot began to show its advantages, albeit six months behind plan. The successful completion of this consolidation move was yet another important step in the company's mission establishing Carpets International as the "Carpet Supplier of Choice" in the UK.

The all important autumn selling season was just beginning when the fuel blockade hit the country and brought panic to consumers and severely curtailed manufacturing demand. Confidence did not appreciably return during the season and as a result the fourth quarter output was down 14% compared to the previous year. The obvious impact to the industry and the economy as a whole resulted in The Bank of England cutting interest rates in February 2001. With this as a backdrop and the gloomy outlook for 2001 Carpets International began a reorganization plan to restore the company into profitability by 2002.

DIVIDENDS

The directors are unable to propose a dividend (1999 : £Nil).

DIRECTORS AND THEIR INTERESTS

The directors who served during the year are shown below.

R Boe

B A McLean

R L Cravey

None of the directors have any interests in the company.

The interests of the directors in the parent company, Carpet Holdings Limited, are disclosed in that company's accounts.

DIRECTORS' REPORT

POST BALANCE SHEET EVENT

Carpets International (UK) Limited has devised a comprehensive business restructuring plan to substantially improve profitability during in 2002. This plan involves the consolidation of manufacturing and the closure of several of the company's production facilities. The company's spinning facilities at Gomersal and Wellington have already been closed as a result. Overall the plan anticipates restoring net profit levels to around two percent by the end of 2002 and laying the foundation for progressive improvements in the medium term.

The company's restructuring plan involves a £7m exceptional charge to the profit and loss account in 2001 to cover consolidation costs and plant closures. In addition it anticipates a streamlined bank of products thus enhancing both customer service and product/profit mix.

DISABLED EMPLOYEES

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

EMPLOYEE CONSULTATION

The company places value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings.

AUDITORS

A resolution for the reappointment of Deloitte & Touche as auditors will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

A W Barfield

Secretary

17 December 2001

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 as at the end of the financial year and of the profit or loss of the company 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; and
- 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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AUDITORS' REPORT TO THE MEMBERS OF

CARPETS INTERNATIONAL (UK) LIMITED

We have audited the financial statements on pages 6 to 17 which have been prepared under the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's 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 the company's affairs as at 31 December 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants
and Registered Auditors
19 December 2001

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2000

	Note	2000 Before exceptional items £'000	2000 Exceptional items £'000	2000 Total £'000	1999 Total £'000
TURNOVER: continuing operations	2	122,518	(950)	121,568	127,572
Cost of sales		(102,267)	-	(102,267)	(102,552)
Gross profit		20,251	(950)	19,301	25,020
Operating expenses	3	(20,544)	(3,749)	(24,293)	(22,965)
OPERATING (LOSS)/PROFIT: continuing operations	4	(293)	(4,699)	(4,992)	2,055
Profit on sale of fixed assets in continuing operations		-	-	-	1,800
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		(293)	(4,699)	(4,992)	3,855
Interest receivable and similar income	5	24	-	24	-
Interest payable and similar charges	6	(2,463)	-	(2,463)	(2,463)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(2,732)	(4,699)	(7,431)	1,392
Tax on (loss)/profit on ordinary activities	8	52	-	52	(52)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR	18	(2,680)	(4,699)	(7,379)	1,340

There are no recognised gains and losses for the current or preceding financial year other than as stated above. Therefore, no statement of total recognised gains and losses has been presented.

BALANCE SHEET
31 December 2000

	Note	2000 £'000	1999 £'000
FIXED ASSETS			
Tangible assets	9	21,973	23,378
CURRENT ASSETS			
Stocks	11	24,348	24,305
Debtors	12	19,570	29,406
Cash at bank and in hand		801	3,596
		44,719	57,307
CREDITORS: amounts falling due within one year	13	(27,216)	(32,344)
NET CURRENT ASSETS		17,503	24,963
TOTAL ASSETS LESS CURRENT LIABILITIES		39,476	48,341
CREDITORS: amounts falling due after more than one year	14	(23,570)	(24,427)
PROVISIONS FOR LIABILITIES AND CHARGES	15	(1,144)	(1,773)
		14,762	22,141
CAPITAL AND RESERVES			
Called up share capital	16	12,655	12,655
Share premium account	17	160	160
Capital redemption reserve	17	260	260
Capital reserves	17	4,431	4,431
Capital contribution	17	57,454	57,454
Profit and loss account	17	(60,198)	(52,819)
TOTAL EQUITY SHAREHOLDERS' FUNDS		14,762	22,141

These financial statements were approved by the Board of Directors on 17 December 2001.

Signed on behalf of the Board of Directors

B A McLean

Director

NOTES TO THE ACCOUNTS
Year ended 31 December 2000

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Consolidated accounts

Consolidated accounts have not been presented as the company is a wholly owned subsidiary undertaking of Carpet Holdings Limited, which prepares consolidated accounts and is registered in England and Wales.

Tangible fixed assets

Tangible fixed assets are shown at cost.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

Freehold buildings	50 years
Leasehold land and buildings	Term of lease
Plant and machinery	3 to 10 years

No depreciation is provided in relation to land.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Cost incurred in bringing each product to its present location and condition is based on:

Raw materials	-	Purchase cost on a first-in, first out basis, including transport
Work-in-progress and finished goods	-	Cost of direct materials and labour, plus a reasonable proportion of manufacturing overheads based on normal levels of activity

Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements, to the extent that it is probable that a liability or asset will crystallise in the future.

Foreign currency

In the accounts of individual undertakings, transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction (or, where appropriate, at the rate of exchange in a related forward exchange contract). Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end (or, where appropriate, at the rate of exchange in a related forward exchange contract). Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Turnover

Turnover comprises the value of sales (excluding VAT and certain discounts) of goods and services in the normal course of business.

NOTES TO THE ACCOUNTS
Year ended 31 December 2000

1. ACCOUNTING POLICIES (continued)

Leases

The company enters into operating and finance leases.

Assets held under finance leases are initially reported at the fair value of the asset, with an equivalent liability categorised as appropriate under creditors due within or after one year. Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of return on the outstanding balance. Rentals are apportioned between finance charges and reduction of the liability, and allocated to cost of sales and other operating expenses as appropriate.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Pension costs

The company provides pensions to employees through two funded defined benefit pension schemes. The assets of the schemes are held independently of the company and administered by trustees.

The amount charged to the profit and loss account for the defined benefit schemes is the estimated regular cost of providing the benefits accrued in the period adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future pensionable payroll. Variations from regular cost are charged or credited to the profit and loss account over the estimated average remaining working life of scheme members. Any difference between amounts charged to the profit and loss account and contributions paid to the schemes is shown as a liability or asset in the balance sheet.

Further information on pension costs is provided in note 20.

2. TURNOVER

The directors consider that the company operates only one class of business, being its principal activity.

Turnover is analysed by geographical destination as follows:

	2000 £'000	1999 £'000
United Kingdom	118,010	124,212
Europe	2,813	2,966
North America	612	215
Other	133	179
	121,568	127,572

All sales related to the company's principal activities, and originated in the United Kingdom.

Turnover is stated after deduction of exceptional items of £950,000 (1999: £nil). This related to an excessive level of returns as a result of the relocation of the company's warehousing and distribution facilities.

NOTES TO THE ACCOUNTS
Year ended 31 December 2000

3. OPERATING EXPENSES

	2000 £'000	1999 £'000
Distribution costs	19,029	15,925
Administrative expenses	5,264	7,040
	24,293	22,965

Administrative expenses includes exceptional costs of £3,749,000 (1999: £1,800,000). These are costs associated with the relocation of the company's warehousing and distribution facilities.

4. OPERATING (LOSS)/PROFIT

	2000 £'000	1999 £'000
Operating (loss)/profit is stated after charging:		
Depreciation of tangible fixed assets:		
Owned	2,704	3,000
Held under finance leases and hire purchase contracts	417	961
Loss on the sale of fixed assets	38	-
Operating lease rentals:		
Land and buildings	1,113	930
Plant and machinery	891	978
Other	1,640	1,568
Auditors' remuneration:		
Audit fees	44	43
Non-audit fees	36	10

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2000 £'000	1999 £'000
Other income	24	-

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2000 £'000	1999 £'000
On bank loans and overdrafts	2,447	2,449
On finance leases and hire purchase contracts	16	14
	2,463	2,463

All borrowings are repayable within five years.

NOTES TO THE ACCOUNTS
Year ended 31 December 2000

7. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Particulars of employees (including executive directors) are as shown below:

	2000 £'000	1999 £'000
Staff costs during the year (including directors):		
Wages and salaries	32,745	30,533
Social security costs	2,463	2,379
Pension costs	1,975	1,904
	37,183	34,816

Average number of persons employed:

	2000 No.	1999 No.
Production	1,276	1,263
Distribution	275	258
Administration and sales	239	191
	1,790	1,712

Directors' emoluments

	2000 £'000	1999 £'000
Emoluments	422	382

	2000 £'000	1999 £'000
Remuneration of the highest paid director	422	382

Pensions

No directors were members of the defined benefit pension schemes (1999 : Nil).

8. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	2000 £'000	1999 £'000
United Kingdom corporation tax at 30% (1999 : 31%)		
Based on the (loss)/profit for the year	-	-
Deferred taxation	(19)	157
ACT written off/(back)	13	(105)
Adjustment in respect of prior years:		
Deferred tax	(138)	-
ACT written off	92	-
	(52)	52

The tax charge is low as a result of trading losses brought forward and in the year and unrecognised deferred tax assets. At 31 December 2000 the company had tax losses available amounting to approximately £46 million (1999 : £43 million) subject to agreement with the Inland Revenue.

NOTES TO THE ACCOUNTS
Year ended 31 December 2000

9. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Plant and Machinery £'000	Total £'000
Cost			
At 1 January 2000	11,725	46,231	57,956
Additions	15	1,866	1,881
Disposals	(17)	(2,053)	(2,070)
At 31 December 2000	11,723	46,044	57,767
Accumulated depreciation			
At 1 January 2000	2,059	32,519	34,578
Charge for the year	223	2,898	3,121
Disposals	(8)	(1,897)	(1,905)
At 31 December 2000	2,274	33,520	35,794
Net book value			
At 31 December 2000	9,449	12,524	21,973
At 31 December 1999	9,666	13,712	23,378
Leased assets included in the above:			
Net book value			
At 31 December 2000	-	792	792
At 31 December 1999	-	1,072	1,072

10. FIXED ASSET INVESTMENTS

The company owns all of the issued ordinary share capital of each of Texture-Tex (Europe) Limited, White Horse Carpets Limited and Abingdon Carpet (Export) Limited. Each of these entities were incorporated in England and Wales and they are all dormant companies.

11. STOCKS

	2000 £'000	1999 £'000
Raw materials and consumables	9,941	9,913
Work in progress	1,436	1,267
Finished goods and goods for resale	12,971	13,125
	24,348	24,305

In the opinion of the directors, the replacement cost of stocks is not materially different to the values shown.

NOTES TO THE ACCOUNTS
Year ended 31 December 2000

12. DEBTORS

	2000 £'000	1999 £'000
Trade debtors	16,266	20,514
Amounts due from parent company	1,670	1,670
Prepayments and accrued income	1,634	7,222
	19,570	29,406

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000 £'000	1999 £'000
Bank loan (see note 14)	1,804	2,280
Obligations under finance leases and hire purchase contracts (see note 14)	275	944
Trade creditors	7,705	9,448
Bills of exchange payable	131	67
Amounts owed to subsidiary undertaking	674	674
Amounts owed to other group companies	2,624	2,624
VAT	2,997	3,316
Taxation and social security	874	956
Other creditors	1,300	1,400
Accruals and deferred income	8,832	10,635
	27,216	32,344

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2000 £'000	1999 £'000
Bank loan	22,404	21,790
Obligations under finance leases and hire purchase contracts	138	369
Other creditors	1,023	2,163
Accruals and deferred income	5	105
	23,570	24,427

Amounts due under the bank loan at 31 December 2000 are payable as follows:

	2000 £'000	1999 £'000
Amounts payable		
- on demand or within one year	1,804	2,280
- between one and two years	2,300	2,940
- between two and five years	20,104	18,850
	24,208	24,070

The bank loan is stated net of unallocated issue costs of £65,000 (1999: £290,000). These are being allocated to the profit and loss account over the term of the debt at a constant rate of return on the carrying amount.

The bank loan and overdraft are secured via fixed and floating charges over certain assets of the company.

NOTES TO THE ACCOUNTS
Year ended 31 December 2000

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

Obligations under finance leases and hire purchase contracts are repayable as follows:

	2000 £'000	1999 £'000
Within one year	275	944
Within one to two years	60	274
Within two to five years	78	95
	413	1,313

Other creditors are repayable as follows:

	2000 £'000	1999 £'000
Within one year	1,300	1,400
Within one to two years	1,023	1,200
Within two to five years	-	963
	2,323	3,563

15. PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for liabilities and charges comprise:

	Pension Obligations £'000	Deferred Taxation £'000	Property £'000	Re-Organisation £'000	Total £'000
Balance at 1 January 2000	1,039	52	251	431	1,773
Utilised during the year	(45)	(52)	(101)	(431)	(629)
Balance at 31 December 2000	994	-	150	-	1,144

Property provision

Property provisions comprise the anticipated costs of discharging a property lease commitment.

Reorganisation provision

This provision represents expected costs directly attributable to the relocation of the company's warehousing and distribution facilities.

Deferred taxation

The amounts of provided deferred tax are as follows:

	2000 £'000	1999 £'000
At 1 January	52	-
(Credit)/charge for the year	(19)	157
ACT written off/(back)	13	(105)
Adjustment in respect of prior years		
Deferred tax	(138)	-
ACT written off	92	-
At 31 December	-	52

NOTES TO THE ACCOUNTS
Year ended 31 December 2000

16. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

The amounts of unprovided deferred taxation are as follows:

	2000 £'000	1999 £'000
Tax effect of rolled over capital gains	250	250
Tax effect of losses carried forward	(13,975)	(13,909)
Excess future tax allowances over book value of fixed assets	(2,666)	(2,667)
Other timing differences	(600)	(656)
Total (asset)	(16,991)	(16,982)

16. CALLED UP SHARE CAPITAL

	2000 £'000	1999 £'000
Authorised		
15,000,000 ordinary shares of £1 each	15,000	15,000
Called up, allotted and fully paid		
12,655,000 ordinary shares of £1 each	12,655	12,655

17. MOVEMENTS IN RESERVES

	Share Premium Account £'000	Capital Redemption Reserve £'000	Capital Reserves £'000	Capital Contribution £'000	Profit and Loss Account £'000	Total £'000
At 1 January 2000	160	260	4,431	57,454	(52,819)	9,486
Loss for the year	-	-	-	-	(7,379)	(7,379)
At 31 December 2000	160	260	4,431	57,454	(60,198)	2,107

18. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	2000 £'000	1999 £'000
Opening equity shareholders' funds	22,141	20,801
(Loss)/Profit for the financial year	(7,379)	1,340
Closing equity shareholders' funds	14,762	22,141

NOTES TO THE ACCOUNTS
Year ended 31 December 2000

19. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

Capital commitments

At the end of the year contracted capital commitments were approximately £50,000 (1999 : £420,000).

Contingent liabilities

The company is registered with HM Customs & Excise as a member of the Carpets International (UK) group for VAT purposes. All members registered under this scheme are jointly and severally liable on a continuing basis for amounts owing in respect of their VAT liabilities at any time.

Lease commitments

The company has entered into non-cancellable operating leases in respect of certain plant and machinery, the payments for which extend over a period of up to five years. The total rental, including interest, for the year ended 31 December 2000 was £1,640,000 (1999 : £1,568,000). The lease agreements provide that the company will pay all insurance, maintenance and repairs.

In addition, the company leases certain land and buildings on short and long-term operating leases. The annual rental on these leases was £1,113,000 (1999 : £930,000). The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The company pays all the insurance, maintenance and repairs of these properties.

The minimum annual rentals under the foregoing leases are as follows:

	Property £'000	Plant & Machinery £'000
31 December 2000		
Operating leases which expire:		
- within 1 year	-	134
- within 2-5 years	235	1,418
- after 5 years	1,527	56
	1,762	1,608
31 December 1999		
Operating leases which expire:		
- within 1 year	-	29
- within 2-5 years	241	1,607
- after 5 years	706	115
	947	1,751

20. PENSIONS

Pension arrangements

The company's employees are entitled to membership of one of two pension schemes; the Carpets International Pension Scheme and the Abingdon Carpets Pension Fund. These schemes are both defined benefit schemes.

The latest available actuarial valuations for these schemes were as at 6 April 1999.

The 1999 valuation of the Carpets International Pension Scheme showed that the scheme's assets represented 92% of the past service liabilities as at the valuation date and recommended that the regular pension cost would be increased by 1.5% of pensionable salaries for future years in order to eliminate the deficit at the valuation date over the future working lives of the active members.

The 1999 valuation of the Abingdon Carpets Pension Fund showed that the scheme's assets represented 112% of the past services liabilities as at the valuation date and that this is sufficient to support a reduced level of company contributions until April 2000.

The company pension charge for the year in total for both schemes was £1,975,000 (1999 : £1,904,000).

NOTES TO THE ACCOUNTS
Year ended 31 December 2000

21. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption contained in FRS8 not to disclose details of related party transactions with other group companies.

During the period the company paid approximately £147,830 (1999 : £151,000) to CGW Southeast Partners III LLP, the ultimate controlling party, in relation to management services received. CGW Southeast Partners III LLP also settled certain salary expenses on behalf of Carpets International (UK) Limited amounting to approximately £824,489 (1999 : £821,000), and these expenses have been recharged by CGW Southeast Partners III LLP to Carpets International (UK) Limited. At 31 December 2000 £91,885 (1999 : £Nil) was due to CGW Southeast Partners III LLP.

22. PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

The company is a wholly owned subsidiary undertaking of Carpet Holdings Limited, a company incorporated in England and Wales. The consolidated accounts of Carpet Holdings Limited may be obtained from Companies House, Crown Way, Maindy, Cardiff.

CGW Southeast Partners III LLP own 96% of the total issued share capital of Carpet Holdings Limited.

23. POST BALANCE SHEET EVENT

Carpets International (UK) Limited has devised a comprehensive business restructuring plan to substantially improve profitability during in 2002. This plan involves the consolidation of manufacturing and the closure of several of the company's production facilities. The company's spinning facilities at Gomersal and Wellington have already been closed as a result. Overall the plan anticipates improving profit levels by the end of 2002 and laying the foundation for progressive improvements in the medium term.

The company's restructuring plan involves a £7m exceptional charge to the profit and loss account in 2001 to cover consolidation costs and plant closures. In addition it anticipates a streamlined bank of products thus enhancing both customer service and product/profit mix.