Summary

- Group turnover up 7% to £38.4m
- Operating profit before exceptional items up 17%
- Adjusted earnings per share up 26%
- Interim dividend up 14% to 0.80p per share
- Transfer to Alternative Investment Market completed
- Streamlined board and new management structure in place
- Review of the Residential Floor Coverings business
- Continuation of strong performance from Specialist Yarns

Introduction

The six months to 31st December 2005 has been another period of change for the group. The move to the Alternative Investment Market was completed on 21st December 2005 and the simplified management structure is now in place. As part of the ongoing process of change, the board instigated a thorough review of the provision of audit services to the group. Following this review the board has appointed Grant Thornton UK LLP as auditors to replace PricewaterhouseCoopers LLP.

In addition, the group transformation programme aimed at focusing on the profitable growth of our existing operations is ongoing. All of the group's employees have shown great commitment to this programme and the board is grateful for their continued enthusiasm and dedication. The Specialist Yarns division continues to provide proof that real benefits are achievable through the implementation of a well planned and managed change process. As set out in our last Annual Report, the Floor Coverings division is now the subject of greater focus for the group board and subsidiary management.

The results

Turnover for the half year to 31st December 2005 was £38.4m (2004: £36.0m) generating operating profit of £3.5m (2004: £3.4m (as restated), operating profit before exceptional items £3.0m (as restated)). Earnings per share and adjusted earnings per share were 3.84p representing an increase in earnings per share of 4% (as restated) and an increase in adjusted earnings per share of 26% (as restated).

Cash inflow from operating activities amounted to £1.7m (2004: £3.8m) with the reduction reflecting additional working capital requirements. Net debt remained unchanged at £9.2m.

The board has declared an increased interim dividend of 0.80p per share (2004: 0.70p). The dividend is payable on 8th May 2006 to those shareholders on the register of members at the close of business on 18th April 2006.

Specialist Yarns

Sales in this division increased by 26% to £9.6m (2004: £7.6m) and operating profit increased to £2.4m (2004: £1.8m (as restated) after net exceptional credits of £0.4m).

The division's core ranges continued to benefit from a fashion led upturn in the market for hand knitting yarn, particularly in the UK, and sales of technical products under the Tilsatec brand have grown steadily. Management continue to focus on the expansion of the division's customer base and product ranges in order to capitalise on current conditions and provide a sound base for the future.

Floor Coverings

Whilst sales of floor covering products increased by 2% to £28.8m (2004: £28.3m), operating profit fell to £1.3m (2004: £1.9m (as restated)) as difficult high street conditions and increased raw material and utility costs continue to impact on margins.

A programme of substantial investment in people, products and processes within Contract Floor Coverings has been undertaken, with a consequential impact on overhead costs in the period. Whilst this sector of the market remains difficult we are optimistic that this investment will enable the new management team to overcome these difficulties.

As reported previously, the Residential Floor Coverings operation has been an area of concern and the subject of significant attention as we seek to counter the adverse trading conditions which have affected most players within this market sector. Following a review of the business we have concluded that the division continues to enjoy a strong reputation for the quality of its products and services and that these provide a sound underpinning for the future of the business.

Since the acquisition of the William Pownall business in 2002, a step-by-step approach has been taken to integrating that business with the existing Ryalux Carpets organisation. The last six-month period has seen the operation of the two businesses brought together under a single management team with a consequent simplification in administration and a reduction in cost.

It is envisaged that further streamlining and simplification of the Residential Floor Coverings operation will be required to enable this operation to produce an acceptable return on the group's investment and that the implementation of any changes will be completed by the end of the calendar year 2007.

Management changes

The simplification of the group board structure, referred to in the last Annual Report, took effect on 1st January 2006 following the retirement of Duncan Verity. From that date, Steve Harrison assumed the role of chief operating officer on a part-time basis. In view of the decentralised nature of the group and the strong divisional management teams now in place, the new structure aims to maintain the central costs of the group at an appropriate level and this should lead to savings in this area in future periods.

Implementation of new financial reporting standards

The group is now required to adopt Financial Reporting Standard 17, Retirement Benefits, and Financial Reporting Standard 21, Events after the Balance Sheet Date, in its financial statements for the year ending 30th June 2006. Accordingly the provisions of these standards have been applied in the interim financial statements and comparative figures restated as appropriate.

The effect of applying these standards on the profit and loss account is set out in note 6 and on shareholders' funds is set out in note 7.

Current trading and future prospects

Trading conditions in the early part of 2006 have shown no material change from those apparent in the previous six months. Sales within the Specialist Yarns division continue to be strong and there has been a modest element of growth from Floor Coverings.

There is continued confidence within the Specialist Yarns division with market conditions and product innovation, in both hand knitting and technical products, giving cause for optimism. There are some signs of improvement in Floor Coverings but the residential sector remains an area of concern and accordingly is being given significant attention.

16th March 2006

Consolidated Profit and Loss Account

6 months ended 31st December 2005

	Note	Unaudited 6 months ended 31st December 2005 £000	Unaudited 6 months ended 31st December 2004 Restated £000	Audited year ended 30th June 2005 Restated £000
Turnover	2	38,421	35,979	71,422
Operating costs		(34,940)	(33,010)	(66,658)
Exceptional income		–	432	452
Net operating costs		(34,940)	(32,578)	(66,206)
Operating profit	2	3,481	3,401	5,216
Net interest payable and similar charges		(329)	(372)	(690)
Other finance costs		(350)	(350)	(700)
Profit before taxation		2,802	2,679	3,826
Taxation		(1,026)	(974)	(1,338)
Profit for the period		1,776	1,705	2,488
Earnings per share				
(basic and diluted)	4	3.84p	3.69p	5.38p

The results shown in the profit and loss account derive wholly from continuing activities.

There is no difference between the profit on ordinary activities before taxation and the profit for the period stated above and their historical cost equivalents.

Statement of Total Recognised Gains and Losses

6 months ended 31st December 2005

	Unaudited 6 months ended 31st December 2005 £000	Unaudited 6 months ended 31st December 2004 Restated £000	Audited year ended 30th June 2005 Restated £000
Profit attributable to shareholders of the group	1,776	1,705	2,488
Actuarial gains/(losses) recognised in the pension scheme	1,260	(1,550)	(3,100)
Total recognised gains/(losses) relating to the period	3,036	155	(612)

Consolidated Balance Sheet

as at 31st December 2005

	Note	Unaudited 31st December 2005 £000	Unaudited 31st December 2005 £000	Unaudited 31st December 2004 Restated £000	Unaudited 31st December 2004 Restated £000	Audited 30th June 2005 Restated £000	Audited 30th June 2005 Restated £000
Fixed assets							
Intangible			13,297		14,177		13,737
Tangible			15,340		15,966		15,694
			28,637		30,143		29,431
Current assets							
Stocks		17,708		14,791		17,344	
Debtors		13,355		12,077		12,248	
Cash at bank and in hand		273		565		485	
		31,336		27,433		30,077	
Creditors (due within one year)		(20,316)		(15,817)		(19,230)	
Net current assets			11,020		11,616		10,847
Total assets less current liabilities			39,657		41,759		40,278
Creditors (due after more than one year)			(2,214)		(5,253)		(3,733)
Deferred taxation	5		(2,217)		(2,290)		(2,230)
Net assets excluding pension liability			35,226		34,216		34,315
Pensions deficit			(11,612)		(11,900)		(13,090)
			23,614		22,316		21,225
Equity shareholders' funds							
Called up share capital			11,561		11,561		11,561
Share premium account			504		504		504
Capital redemption reserve			2,395		2,395		2,395
Profit and loss account	6		9,154		7,856		6,765
			23,614		22,316		21,225

Consolidated Cash Flow Statement

6 months ended 31st December 2005

	Note	Unaudited 6 months ended 31st December 2005 £000	£000	Unaudited 6 months ended 31st December 2004 £000	£000	Audited year ended 30th June 2005 £000	£000
Net cash inflow from operating activities	8		1,654		3,848		5,995
Interest paid and similar charges			(374)		(375)		(720)
			1,280		3,473		5,275
Corporation tax			(247)		620		(122)
Capital expenditure							
Purchase of tangible fixed assets		(556)		(681)		(1,415)	
Sale of tangible fixed assets		163		192		340	
			(393)		(489)		(1,075)
Equity dividends paid			(647)		(555)		(879)
Cash (outflow)/inflow before financing			(7)		3,049		3,199
Financing							
Redemption of loan notes		–		(14)		(118)	
Repayment of bank loans		(1,519)		(1,505)		(2,921)	
			(1,519)		(1,519)		(3,039)
(Decrease)/increase in cash	9		(1,526)		1,530		160

A reconciliation of net cash flow to movement in net debt is set out in note 10.

1 BASIS OF PREPARATION

The financial information has been prepared using the accounting policies set out in the group's annual report and financial statements for the year ended 30th June 2005 except that for the current period the company has adopted FRS 17, Retirement Benefits, and FRS 21, Events after the Balance Sheet Date, and the comparative figures have been restated accordingly.

The comparative figures for the year ended 30th June 2005 do not constitute statutory financial statements within the meaning of section 240 of the Companies Act 1985. Statutory financial statements for the year ended 30th June 2005 have been delivered to the Registrar of Companies. The auditors have reported on those financial statements. Their report was not qualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.

2 SEGMENTAL INFORMATION

Analysis of results by class of business

Turnover	6 months ended 31st December 2005 £000	6 months ended 31st December 2004 £000	Year ended 30th June 2005 £000
Floor Coverings	28,779	28,348	56,162
Specialist Yarns	9,642	7,631	15,260
	38,421	35,979	71,422

Operating profit	6 months ended 31st December 2005 £000	6 months ended 31st December 2004 Restated £000	Year ended 30th June 2005 Restated £000
Floor Coverings	1,319	1,890	2,443
Specialist Yarns	2,441	1,760	3,303
	3,760	3,650	5,746
Central group costs	(279)	(249)	(530)
	3,481	3,401	5,216

There were no exceptional items in the period ended 31st December 2005. The operating result for the Specialist Yarns division for the period ended 31st December 2004 is stated after exceptional income of £432,000 and for the year ended 30th June 2005 is stated after exceptional income of £452,000.

2 SEGMENTAL INFORMATION (continued)

Net operating assets	31st December 2005 £000	31st December 2004 Restated £000	30th June 2005 Restated £000
Floor Coverings	37,573	35,277	34,841
Specialist Yarns	8,099	6,298	6,814
	45,672	41,575	41,655
Central group (liabilities)/assets	(957)	2,565	2,354
	44,715	44,140	44,009

Net operating assets are stated excluding inter-company financing and are derived from the balance sheet total by excluding bank borrowings, loans and loan notes totalling £9,489,000 (31st December 2004: £9,924,000, 30th June 2005: £9,694,000) and a pensions deficit of £11,612,000 (31st December 2004: £11,900,000, 30th June 2005: £13,090,000).

3 DIVIDENDS

Dividends on equity shares

	6 months ended 31st December 2005 £000	6 months ended 31st December 2004 £000	Year ended 30th June 2005 £000
Paid during the period:			
Final dividend for year ended 30th June 2005 – 1.40p per share	647	–	–
Interim dividend for year ended 30th June 2005 – 0.70p per share	–	–	324
Final dividend for year ended 30th June 2004 – 1.20p per share	–	555	555
	647	555	879
Proposed after the period end (not recognised as a liability):			
Interim dividend for year ending 30th June 2006 – 0.80p per share	370	–	–
Final dividend for year ended 30th June 2005 – 1.40p per share	–	–	647
Interim dividend for year ended 30th June 2005 – 0.70p per share	–	324	–
	370	324	647

The interim dividend will be paid on 8th May 2006 to members registered at the close of business on 18th April 2006.

4 EARNINGS PER SHARE

The calculation of basic earnings per share is based on earnings of £1,776,000 (31st December 2004: £1,705,000, 30th June 2005: £2,488,000) and on 46,242,455 (31st December 2004: 46,242,455, 30th June 2005: 46,242,455) ordinary shares, being the weighted average number in issue during the period. Adjusted earnings per share, as set out below, is calculated after excluding net exceptional items, net of tax, and is presented in order to demonstrate the underlying performance of the group.

	6 months ended 31st December 2005		6 months ended 31st December 2004 Restated		Year ended 30th June 2005 Restated	
	£000	pence	£000	pence	£000	pence
Earnings and basic earnings per share	1,776	3.84	1,705	3.69	2,488	5.38
Exceptional income	–	–	(302)	(0.65)	(316)	(0.68)
Adjusted earnings and earnings per share	1,776	3.84	1,403	3.04	2,172	4.70

5 DEFERRED TAX

	31st December 2005 £000	31st December 2004 £000	30th June 2005 £000
Brought forward as stated previously	3,247	3,259	3,259
Prior period adjustment for FRS 17	(1,017)	(930)	(930)
Brought forward as restated	2,230	2,329	2,329
Profit and loss account	(13)	(39)	(99)
Carried forward	2,217	2,290	2,230

6 PROFIT AND LOSS ACCOUNT

	31st December 2005 £000	31st December 2004 £000	30th June 2005 £000
Brought forward as stated previously	21,581	20,582	20,582
Prior period adjustment for FRS 17	(15,463)	(12,881)	(12,881)
Prior period adjustment for FRS 21	647	555	555
Brought forward as restated	6,765	8,256	8,256
Profit for the period	1,776	1,705	2,488
Other recognised gains/(losses)	1,260	(1,550)	(3,100)
Equity dividends paid	(647)	(555)	(879)
Carried forward	9,154	7,856	6,765

7 RECONCILIATION OF MOVEMENTS IN GROUP EQUITY SHAREHOLDERS' FUNDS

	31st December 2005 £000	31st December 2004 £000	30th June 2005 £000
Profit for the period	1,776	1,705	2,488
Other recognised gains/(losses)	1,260	(1,550)	(3,100)
Equity dividends paid	(647)	(555)	(879)
Net addition to equity shareholders' funds	2,389	(400)	(1,491)
Opening equity shareholders' funds as stated previously	36,041	35,042	35,042
Prior period adjustment for FRS 17	(15,463)	(12,881)	(12,881)
Prior period adjustment for FRS 21	647	555	555
Closing equity shareholders' funds	23,614	22,316	21,225

8 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	6 months ended 31st December 2005 £000	6 months ended 31st December 2004 Restated £000	Year ended 30th June 2005 Restated £000
Operating profit	3,481	3,401	5,216
Depreciation	896	1,001	2,022
Goodwill amortisation	440	440	880
Profit on sale of tangible fixed assets	(18)	(352)	(357)
Current service pension cost	130	130	260
(Increase)/decrease in stocks	(364)	2,062	(491)
Increase in debtors	(1,532)	(1,417)	(1,336)
Decrease in creditors	(1,379)	(1,417)	(199)
Net cash inflow from operating activities	1,654	3,848	5,995

9 ANALYSIS OF CHANGES IN NET DEBT

	31st December 2005 £000	Cash flows £000	30th June 2005 £000
Cash at bank and in hand	273	(212)	485
Bank overdrafts	(4,237)	(1,314)	(2,923)
	(3,964)	(1,526)	(2,438)
Loan notes	(394)	–	(394)
Bank loans	(4,858)	1,519	(6,377)
Total net debt	(9,216)	(7)	(9,209)

10 RECONCILIATION OF MOVEMENT IN NET DEBT

	31st December 2005 £000	31st December 2004 £000	30th June 2005 £000
(Decrease)/increase in cash	(1,526)	1,530	160
Redemption of loan notes	–	14	118
Repayment of bank loans	1,519	1,505	2,921
Movement in net debt	(7)	3,049	3,199
Net debt at start of period	(9,209)	(12,408)	(12,408)
Net debt at end of period	(9,216)	(9,359)	(9,209)

OTHER INFORMATION

The interim results are unaudited.

Further copies of this report are available from the Company Secretary at the registered office at Flanshaw Lane, Alverthorpe, Wakefield, West Yorkshire WF2 9ND.