

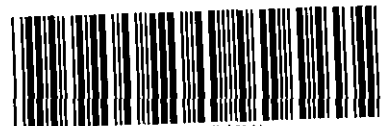
**Duralay International Holdings Limited**

**Directors' report and financial  
statements**

Registered number 3189091

3 June 2006

FRIDAY



\*AFU3WLKN\*

A72

22/12/2006

692

COMPANIES HOUSE

## Contents

Directors' report	1
Statement of Directors' responsibilities in respect of the Directors' report and the financial statements	2
Independent auditors' report to the members of Duralay International Holdings Limited	3
Profit and loss account	5
Balance sheet	6
Reconciliation of movement in shareholders funds	7
Notes	8

## Directors' report

The Directors present their Directors' report and financial statements for the period ended 3 June 2006.

### Results and dividends

The profit for the period, after taxation, amounted to £34,603,000 (2005: £2,853,000). The Directors do not recommend the payment of a dividend (2005: £nil).

### Post balance sheet events

Details of dividends declared after the balance sheet date and not accounted for in these financial statements, are shown in note 13.

### Principal activity and review of the business

The principal activity of the Company is that of a holding company.

### Directors and their interests

The Directors who held office during the period were as follows:

D Carter	(resigned 19 August 2005)
P Downes	(appointed 20 March 2006, resigned 14 November 2006)
S Downey	(appointed 19 August 2005)
L Dunn	(resigned 19 August 2005)
N Jervis	(resigned 19 August 2005)
B Mrozek	(appointed 19 August 2005)
P Reeder	(appointed 19 August 2005)
E Rinner	(appointed 14 November 2006)

Mr M Taylor was appointed a director of the Company on 14 August 2006.

The interests of the Directors in the shares of the ultimate parent undertaking Masai Holdings Limited are shown in that company's accounts. None of the Directors who held office at the period end held any interests in the shares of the Company

### Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/ herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### Auditors

Following the acquisition of the Group of which Duralay International Holdings Limited is a member (see note 12) Ernst & Young LLP resigned as auditors and KPMG LLP were appointed to fill the vacancy that arose.

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

  
M Taylor  
Director

Broadway  
Haslingden  
Rossendale  
Lancashire  
BB4 4LS

12 December 2006

## **Statement of Directors' responsibilities in respect of the Directors' report and the financial statements**

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its 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 Company and to prevent and detect fraud and other irregularities.



**KPMG LLP**

St James' Square  
Manchester  
M2 6DS  
United Kingdom

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DURALAY INTERNATIONAL HOLDINGS LIMITED**

We have audited the financial statements of Duralay International Holdings Limited for the period ended 3 June 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of Directors and auditors**

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

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

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DURALAY INTERNATIONAL HOLDINGS LIMITED** *(continued)*

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 3 June 2006 and of its profit for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

*12 June 2006*

**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*

*14 DECEMBER* 2006

**Profit and loss account**  
*for the 52 weeks ended 3 June 2006*

	<i>Note</i>	<b>52 weeks ended 3 June 2006 £000</b>	<b>53 weeks ended 4 June 2005 £000</b>
Other operating income		5,198	2,449
<b>Operating profit</b>	2 - 3	<b>5,198</b>	<b>2,449</b>
Sale of investment	6	29,715	-
Profit on ordinary activities before interest and taxation		<b>34,913</b>	<b>2,249</b>
Interest receivable - other		51	3
Interest payable and similar charges	4	(2)	(39)
<b>Profit on ordinary activities before taxation</b>		<b>34,962</b>	<b>2,413</b>
Tax on profit on ordinary activities	5	(359)	440
<b>Profit for the financial period</b>	10	<b>34,603</b>	<b>2,853</b>

There are no recognised gains or losses for the current or preceding period other than those noted above and hence no statement of total recognised gains or losses has been presented.

**Balance sheet**  
*at 3 June 2006*

	<i>Note</i>	<b>2006</b> <b>£000</b>	2005 £000
<b>Fixed assets</b>			
Investments	6	27,597	29,413
<b>Current assets</b>			
Debtors (including amounts due in greater than one year of £2,000,000 (2005: £nil))	7	40,589	3,767
Cash at bank and in hand		149	253
<b>Creditors: amounts falling due within one year</b>	8	40,738 (23,436)	4,020 (23,137)
<b>Net current assets / (liabilities)</b>		17,302	(19,117)
<b>Total assets less current liabilities</b>		44,899	10,296
<b>Capital and reserves</b>			
Share capital	9-10	104	104
Share premium	10	932	932
Profit and loss account	10	43,863	9,260
<b>Equity Shareholders' funds</b>	10	44,899	10,296

These financial statements were approved by the Board of Directors on 12 December 2006 and were signed on its behalf by:



**M Taylor**  
 Director



**Reconciliation of movement in shareholders' funds**  
*for the 52 weeks ended 3 June 2006*

	52 weeks ended 3 June 2006 £000	53 weeks ended 4 June 2005 £000
<b>Profit for the financial period</b>	<b>34,603</b>	2,853
<b>Net addition to shareholders' funds</b>	<b>34,603</b>	2,853
Opening shareholders' funds	10,296	7,443
<b>Closing shareholders' funds</b>	<b>44,899</b>	10,296

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

In these financial statements the following new standards have been adopted for the first time:

- FRS28 'Corresponding amounts';
- FRS21 'Events after the balance sheet date'

FRS28 'Corresponding amounts' has had no material effect as it imposes the same requirement for comparatives as hitherto required by the Companies Act 1985.

FRS21 superseded SSAP17; under the new standard final dividends payable are recognised only in the period in which they are declared and therefore become a liability, whereas under SSAP17 dividends were accrued for when proposed. The adoption of FRS21 has had no effect on the Company as no dividends were paid or authorised in either the current or corresponding accounting periods.

#### ***Basis of preparation***

The financial statements have been prepared under the historical cost convention, in accordance with the Companies Act 1985 and applicable United Kingdom Accounting Standards.

The Company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of Masai Holdings Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Masai Holdings Limited, within which this Company is included, can be obtained from the address given in note 12.

#### ***Taxation***

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

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 FRS 19.

#### ***Foreign currency***

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 period end are reported at the rates of exchange prevailing at the period 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 transaction is included as an exchange gain or loss in the profit and loss account.

## Notes (continued)

### 1 Accounting policies (continued)

#### Financial Guarantees

The Company has not adopted amendments to FRS 26 in relation to financial guarantee contracts.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

The Company does not expect the amendments to have any impact on the financial statements for the period commencing 4 June 2006.

### 2 Directors and employees

There were no employees of the Company during either the current or prior period, other than the Directors. The Directors received no remuneration in either the current or prior period in respect of their services to the Company.

### 3 Operating profit

Operating profit is stated after crediting

	52 weeks ended 3 June 2006 £000	53 weeks ended 4 June 2005 £000
Dividends receivable from subsidiary undertakings	5,198	2,449

Auditors remuneration is £nil (2005: £nil).

### 4 Interest payable

	52 weeks ended 3 June 2006 £000	53 weeks ended 4 June 2005 £000
Intercompany interest	2	39

## Notes (continued)

### 5 Taxation

#### *Analysis of charge/(credit) in period*

	52 weeks ended 3 June 2006 £000	53 weeks ended 4 June 2005 £000
<i>UK corporation tax</i>		
Group relief payable / (receivable)	359	(424)
Adjustments in respect of prior periods	-	(16)
	<hr/>	<hr/>
Total current tax	359	(440)
	<hr/>	<hr/>
Tax on profit on ordinary activities	359	(440)
	<hr/>	<hr/>

#### *Factors affecting the tax charge for the current period*

The current tax charge for the period is lower (2005: lower) than the standard rate of corporation tax in the UK (30%, 2005 : 30 %). The differences are explained below.

	52 weeks ended 3 June 2006 £000	53 weeks ended 4 June 2005 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	34,962	2,413
	<hr/>	<hr/>
Current tax at 30% (53 weeks ended 4 June 2005 : 30%)	10,489	724
	<hr/>	<hr/>
<i>Effects of:</i>		
Non taxable income	(10,474)	(1,547)
Transfer pricing adjustments	344	-
Unrelieved tax losses carried forward	-	399
Adjustments to tax charge in respect of previous periods	-	(16)
	<hr/>	<hr/>
Total current tax charge (see above)	359	(440)
	<hr/>	<hr/>

#### *Factors that may affect future current and total tax charges*

	52 weeks ended 3 June 2006 £000	53 weeks ended 4 June 2005 £000
Tax losses	(16)	(1,472)
	<hr/>	<hr/>

The potential deferred tax asset arising from tax losses carried forward is not considered to be recoverable, and has therefore not been recognised, as it is considered that there is insufficient evidence that there will be suitable taxable profits from which the future reversal can be deducted. The asset will be recovered if suitable taxable profits arise in future accounting periods.

## Notes (continued)

### 6 Fixed asset investments

	Subsidiary undertakings £000
At beginning and end of the period	29,413
Disposal	(1,816)
	<u>27,597</u>

During the period the Company disposed of its subsidiary undertaking Duralay USA Inc and its 100% owned subsidiary Sponge Cushion Inc resulting in a profit of £29,715,000 being recorded in the period.

Details of the subsidiary undertakings are as follows:

	Country of incorporation	Holding	Proportion held	Nature of Business
Interfloor Limited	England	Ordinary shares	100%	Manufacture of carpet underlay
Tacktrim Limited	Scotland	Ordinary shares	100%	Dormant
Interfloor Trustees Limited	England	Ordinary shares	100%	Employee Trust
Interfloor Investments Limited	England	Ordinary shares	100%	Non trading
Presbury Properties Limited	Jersey	Ordinary shares	100%	Property investment

### 7 Debtors

	2006 £000	2005 £000
Amounts owed by parent undertaking	33,537	440
Amounts owed by subsidiary undertakings	7,052	3,327
	<u>40,589</u>	<u>3,767</u>

Included in amounts owed by subsidiary undertakings is £2,000,000 (2005: £nil) due in more than one year.

### 8 Creditors: amounts falling due within one year

	2006 £000	2005 £000
Amounts owed to group undertakings	23,304	23,137
Accounts and deferred income	132	-
	<u>23,436</u>	<u>23,137</u>

## Notes (continued)

### 9 Called up share capital

	2006 £000	2005 £000
<i>Authorised</i>		
775,000 'A' ordinary shares of 10p each	78	78
270,000 Ordinary shares of 10p each	27	27
	<u>105</u>	<u>105</u>
<i>Allotted, called up and fully paid</i>		
790,000 'A' ordinary shares of 10p each	79	79
250,000 Ordinary shares of 10p each	25	25
	<u>104</u>	<u>104</u>

The holders of the 'A' ordinary shares rank ahead of the other shareholders in the event of any return on assets. In all other respects the two classes rank pari passu.

### 10 Reserves

	Share capital £000	Share premium £000	Profit and loss account £000	Total £000
At 4 June 2005	104	932	9,260	10,296
Profit for the period	-	-	34,603	34,603
	<u>104</u>	<u>932</u>	<u>43,863</u>	<u>44,899</u>

### 11 Contingent liability

On 19 August 2005, the Company agreed a composite guarantee and debenture with other group companies Masai Holdings Limited, Masal Operations Limited, Interfloor Group Limited, Interfloor Holdings Limited and Interfloor Limited in favour of Kaupthing Bank HF, for all monies due, and Hutton Collins Mezzanine Partners LP, for all monies due under the Mezzanine Loan Note Instrument. Security was provided through a fixed and floating charge over all assets of each company. This financial assistance was in connection with the acquisition of the entire shareholding in Interfloor Group Limited. At the period end £49,765,000 was outstanding under this agreement.

## Notes (continued)

### 12 Parent undertaking and controlling party

At the balance sheet date the Company's immediate parent undertaking was Interfloor Holdings Limited. On 19 August 2005 the share capital of the previous ultimate parent undertaking, Interfloor Group Limited, was acquired by Masai Holdings Limited through its wholly owned subsidiary Masal Operations Limited.

59.15% of the issued share capital of Masai Holdings Limited is held by EAC (Scotland) EP3 Limited on behalf of investors in EAC Fund 111 Limited Partnership and EAC Fund 111 GmbH & Co. Beteiligungs KG. These funds are managed by European Acquisition Capital Limited. 24.18% of the issued share capital of Masai Holdings Limited is owned by Hutton Collins Mezzanine Partners LP with the remaining shares owned by Management. The ultimate controlling party is therefore considered to be European Acquisition Capital Limited.

The Company is included in the group financial statements of Masai Holdings Limited, copies of which are available from its registered office: Broadway, Haslingden, Rossendale, Lancashire, BB4 4LS.

### 13 Post balance sheet events

On 30 November 2006 the Directors of Duralay International Holdings Limited declared a dividend of £40,000,000. Under the requirements FRS21 'Events after the balance sheet date' dividends can only be recorded as a liability when declared. The table below illustrates the impact of the dividend payment on the balance sheet at 3 June 2006 had it been declared prior to the balance sheet date.

	Balance sheet at 3 June 2006 (Audited) £000	Dividend Payment £000	Proforma Balance Sheet at 3 June 2006 (Unaudited) £000
Fixed asset investments	27,597		27,597
Debtors	40,589		40,589
Cash at bank and in hand	149		149
<b>Current assets</b>	40,738		40,738
Creditors falling due within one year	(23,436)	(40,000)	(63,436)
<b>Net current assets / (liabilities)</b>	17,302		(22,698)
<b>Net assets</b>	44,899		4,899