

4412189

Interfloor Group Limited

Report and Financial Statements

4 June 2005

 ERNST & YOUNG



Interfloor Group Limited

Registered No: 4417189

Directors

L J Dunn	(resigned 19 August 2005)
N Jervis	(resigned 19 August 2005)
J Mitchell (USA)	
D J Carter	(resigned 19 August 2005)
B Mrozek	
K Robb	(resigned 8 February 2005)
N Morrill	(resigned 19 August 2005)
J R Brooks	(resigned 19 August 2005)
S J Downey	(appointed 19 August 2005)
P Reeder	(appointed 19 August 2005)

Secretary

D J Carter	(resigned 19 August 2005)
Norose Company Secretarial Services Limited	(appointed 19 August 2005)

Auditors

Ernst & Young LLP
100 Barbirolli Square
Manchester
M2 3EY

Bankers

Bank of Scotland
9th Floor
1 Marsden Street
Manchester
M2 1HW

Solicitors

Eversheds LLP
Eversheds House
70 Great Bridgewater Street
Manchester
M1 5ES

Registered Office

Broadway
Haslingden
Rossendale
Lancashire
BB4 4LS

Directors' Report

The directors present their report for the period ended 4 June 2005.

Results and dividends

The loss for the year, after taxation, amounted to £3,758,000 (2004: £2,104,000). The directors do not propose a dividend.

Principal activities and review of the business

The principal activities of the group are the manufacture of carpet underlay and accessories, adhesives, industrial flooring and compounds.

The group performance was in line with expectations following the restructure, achieving sales of £137m (2004 - £134m) and an operating profit of £5.4m (2004 - £4.4m). The results reflect the net effect of improved operational efficiencies and the adverse effect of raw material price increases.

The Board continues to review the group's operations for performance and efficiency improvements.

Post balance sheet events

On 19 August 2005, 100% of the company's outstanding share capital was purchased by Masai Holdings Limited through its subsidiary undertaking, Masal Operations Limited, both of which were newly formed companies.

As a result of this transaction the outstanding loan balances were repaid to the respective parties and new financing was introduced from Kaupthing Bank HF.

Directors and their interests

The directors at the period end and their interests in the shares of the company are as follows:

	<i>At 4 June 2005</i>	<i>At 31 May 2004</i>
	<i>Number of B</i>	<i>Number of B</i>
	<i>ordinary shares</i>	<i>ordinary shares</i>
L J Dunn	50,000	50,000
N Jervis	-	-
J Mitchell	15,000	15,000
D J Carter	15,000	15,000
B Mrozek	15,000	15,000
K Robb	-	15,000
N Morrill	-	-
J R Brooks	-	-

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.

Directors' Report (continued)

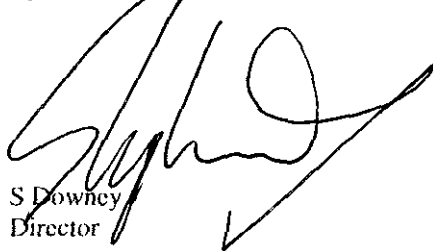
Employee consultation

The company places considerable 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. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Auditors

Ernst & Young LLP are to resign at the end of the annual general meeting. A resolution to appoint KPMG LLP will be put to the members at that meeting.

By order of the board on



S Downey
Director

27 MAR 2000

Statement of Directors' Responsibilities in respect of the Financial Statements

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 the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report

To the members of Interfloor Group Limited

We have audited the group's financial statements for the period ended 4 June 2005 which comprise the Group Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Group Balance Sheet, Company Balance Sheet, Group Cash Flow Statement and the related notes 1 to 26. These financial statements have been prepared on the basis of 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 group 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 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 group's circumstances, consistently applied and adequately disclosed.

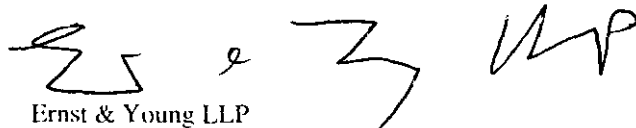
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent Auditors' Report

To the members of Interfloor Group Limited (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 4 June 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.



Ernst & Young LLP
Registered Auditor
Manchester

30/3/06

Group Profit and Loss Account

For the period ended 4 June 2005

		53 Week Continuing operations		Discontinued operations	Total
	Notes	Period ended 4 June 2005 £000	31 May 2004 £000	31 May 2004 £000	31 May 2004 £000
Turnover	2	136,895	130,509	3,526	134,035
Cost of sales		(96,996)	(91,444)	(2,714)	(94,158)
Gross profit		39,899	39,065	812	39,877
Distribution costs		(21,973)	(20,272)	(474)	(20,746)
Administrative expenses		(12,456)	(14,510)	(176)	(14,686)
Operating Profit	3	5,470	4,283	162	4,445
Profit on sale of Fixed Assets		-	1,680	-	1,680
Loss on disposal of discontinued operations				-(169)	(169)
Other income		126	-	-	-
Profit before interest and tax		5,596	5,963	(7)	5,956
Interest receivable		543			253
Interest payable	6	(8,279)			(6,670)
Loss on ordinary activities before taxation		(2,140)			(461)
Tax on loss on ordinary activities	7	(1,618)			(1,643)
Retained loss for the financial period	19	(3,758)			(2,104)

Group Statement of Total Recognised Gains and Losses

For the period ended 4 June 2005

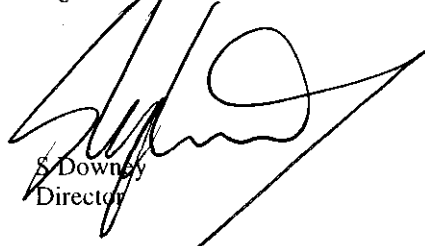
	<i>53 week period ended 4 June 2005 £000</i>	<i>31 May 2004 £000</i>
Loss attributable to the members of the parent company	(3,758)	(2,104)
Exchange difference on retranslation of net assets of subsidiary undertaking	25	(203)
	<u>(3,733)</u>	<u>(2,307)</u>

Group Balance Sheet

At 4 June 2005

	Notes	2005 £000	2004 £000
Fixed assets			
Intangible assets	9	28,281	29,967
Tangible assets	10	13,612	14,020
		<u>41,893</u>	<u>43,987</u>
Current assets			
Stocks	12	8,730	7,204
Debtors	13	22,324	24,705
Cash		801	1,902
		<u>31,855</u>	<u>33,811</u>
Creditors: amounts falling due within one year	14	<u>(41,994)</u>	<u>(38,724)</u>
Net current liabilities		<u>(10,139)</u>	<u>(4,913)</u>
Total assets less current liabilities		<u>31,754</u>	<u>39,074</u>
Creditors: amounts falling due after more than one year	15	<u>(40,933)</u>	<u>(44,520)</u>
Net liabilities		<u>(9,179)</u>	<u>(5,446)</u>
Capital and reserves			
Called up share capital	18,19	984	999
Profit and loss account	19	(10,163)	(6,430)
ESOP reserve	19	(15)	(15)
Capital redemption reserve	19	15	-
Equity shareholders deficit	19	<u>(9,179)</u>	<u>(5,446)</u>

Signed on behalf of the Board on


S. Downey
Director

27 MAR 2006

Company Balance Sheet

At 4 June 2005

	Notes	2005 £000	2004 £000
Fixed assets			
Investments	11	1	1
Current assets			
Debtors	13	783	683
Cash		224	322
		1,007	1,005
Creditors: amounts falling due within one year	14	(11)	-
Net current assets		996	1,005
Total assets less current liabilities		997	1,006
Capital and reserves			
Called up share capital	18,19	984	999
Profit and Loss account	19	13	7
Equity shareholders funds	19	997	1,006

Signed on behalf of the Board on



S Downey
Director

27 MAR 2006

Group Statement of Cashflows

At 4 June 2005

	Notes	2005 £000	2004 £000
Net cash Inflow from operating activities	20 (a)	7,530	7,491
Returns on investments and servicing of finance	20 (b)	(2,615)	(3,509)
Taxation	20 (b)	(1,859)	(1,616)
Capital investment and financial investment	20 (b)	(1,742)	4,170
Acquisitions and disposals	20 (b)	250	1,547
Financing	20 (b)	(3,534)	(12,636)
Decrease in cash		(1,970)	(4,553)
Reconciliation of net cash flow to movement in net debt			
		2005 £'000	2004 £'000
Decrease in cash in the period		(1,970)	(4,553)
Cash outflow from movement in long term loans		3,534	12,645
Change in net debt resulting from cash flows	20 (c)	1,564	8,092
Amortised finance costs		(202)	(202)
Movement in net debt		1,362	7,890
Net debt at 31 May 2004		(47,018)	(54,908)
Net debt at 4 June 2005	20 (c)	(45,656)	(47,018)

Notes to the Financial Statements

At 4 June 2005

1. Accounting policies

Basis of accounting

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

Basis of consolidation

The group accounts consolidate the accounts of Interfloor Group Limited and all its subsidiary undertakings drawn up to 4 June 2005. No profit and loss is presented for Interfloor Group Limited as permitted by Section 230 of the Companies Act 1985.

Goodwill

Positive goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

If a subsidiary is subsequently sold or closed, any goodwill arising on acquisition that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure.

Tangible fixed assets

Tangible fixed assets are shown at original historical cost or subsequent valuation.

The carrying value of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Depreciation

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

Freehold buildings	-	40 years
Plant and machinery	-	5 to 15 years
Motor vehicles	-	3 to 4 years

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.

Notes to the Financial Statements

At 4 June 2005

1. Accounting policies (continued)

Stocks (continued)

Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Research and development

Research and development expenditure is written off in the year of expenditure.

Pension costs

The group operates a defined benefit pension scheme. Contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives within the company. The contribution levels are determined by valuations undertaken by independent qualified actuaries. The group also operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

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 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 transaction is included as an exchange gain or loss in the profit and loss account.

Leases

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included in liabilities in the balance sheet.

The interest element of the rental obligations are charged to the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals under operating leases are charged on a straight-line basis over the lease term.

Investments

Investments in subsidiary undertakings are shown at original historical cost, less any provision for diminution in value.

Deferred taxation

In general, deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are not recognised on gains made on disposals of fixed assets where an election has been made to roll over the gain into a replacement asset, unless, at the balance sheet date, there is a commitment to dispose of the replacement assets. Deferred tax assets are only recognised to the extent that the Directors consider that it is more likely than not there will be suitable taxable profits from which the future reversal of the underlying differences can be deducted.

Notes to the Financial Statements

At 4 June 2005

1. Accounting policies (continued)

Employee Share Ownership Plans

The group has adopted the provisions under Urgent Issues Task Force (UITF) Abstract 38 – ‘Accounting for ESOP trusts’, such that the amount related to the ESOP is recognised as a component of shareholders funds. The effect of this is to decrease net assets by £15,000.

Finance costs

Finance costs incurred in respect of securing the borrowings of the business have been capitalised and amortised over the term of such borrowings.

Notes to the Financial Statements

At 4 June 2005

2. Turnover

The group's turnover is derived from the manufacture and sale of carpet underlay and allied products.

Geographical analysis of turnover

	<i>Continuing Operations</i>		<i>Discontinued Operations</i>	
	<i>Total</i>	<i>Year Ended</i>	<i>Year Ended</i>	<i>Total</i>
	<i>Period Ended</i>	<i>31 May 2004</i>	<i>31 May 2004</i>	<i>Year Ended</i>
	<i>4 June 2005</i>	<i>31 May 2004</i>	<i>31 May 2004</i>	<i>31 May 2004</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
United Kingdom	97,291	92,858	2,844	95,702
Continental Europe	14,135	13,292	302	13,594
North America	21,107	20,074	-	20,074
Other	4,362	4,285	380	4,665
	<u>136,895</u>	<u>130,509</u>	<u>3,526</u>	<u>134,035</u>

3. Operating profit

	<i>Period Ended</i>	<i>Year ended</i>
	<i>4 June 2005</i>	<i>31 May 2004</i>
	<i>£000</i>	<i>£000</i>
This is stated after charging:		
Depreciation of owned fixed assets	2,158	2,250
Depreciation of assets held under finance leases	17	-
Amortisation of goodwill	1,686	1,672
Operating lease rentals - land and buildings	831	804
- plant and machinery	1,008	581
Auditors remuneration - audit services	80	90
- non audit services	22	31
Reorganisation Costs	1,242	839
	<u>12,084</u>	<u>12,087</u>

4. Staff costs

	<i>Period ended</i>	<i>Year ended</i>
	<i>4 June 2005</i>	<i>31 May 2004</i>
	<i>£000</i>	<i>£000</i>
Wages and salaries	19,532	18,685
Social security costs	1,800	1,710
Pension costs	1,370	1,343
	<u>22,702</u>	<u>21,738</u>

Notes to the Financial Statements

At 4 June 2005

4. Staff costs (continued)

The average monthly number of employees during the period was as follows:

	No.	No.
Production	609	756
Administration	6	7
Other	208	132
	<u>823</u>	<u>895</u>

5. Directors emoluments

	<i>Period ended 4 June 2005</i>	<i>Year ended 31 May 2004</i>
	<i>£000</i>	<i>£000</i>
Emoluments	1,410	1,066
Contributions to defined contribution and defined benefit pension schemes	<u>173</u>	<u>171</u>

The number of directors who were eligible for pension schemes during the period were as follows:

	<i>Period ended 4 June 2005</i>	<i>Year ended 31 May 2004</i>
	<i>No.</i>	<i>No.</i>
Defined benefit scheme	3	2
Defined contribution scheme	<u>4</u>	<u>4</u>

The amounts in respect of the highest paid director are as follows:

	<i>53 weeks ended 4 June 2005</i>	<i>12 months ended 31 May 2004</i>
	<i>£000</i>	<i>£000</i>
Emoluments	279	204
Company contributions paid to defined contribution scheme	<u>6</u>	<u>9</u>

Notes to the Financial Statements

At 4 June 2005

6. Interest payable and similar charges

	<i>Period ended 4 June 2005</i>	<i>Year ended 31 May 2004</i>
	<i>£000</i>	<i>£000</i>
Bank loans and overdraft	3,694	3,397
Other loans	4,383	3,071
Amortisation of finance costs	202	202
	<u>8,279</u>	<u>6,670</u>

7. Tax

(a) Tax on loss on ordinary activities

The tax charge is made up as follows:

	<i>Period ended 4 June 2005</i>	<i>Year ended 31 May 2004</i>
	<i>£000</i>	<i>£000</i>
Current tax:		
Corporation tax at 30%	1,656	1,643
Adjustments in respect of previous period	(38)	-
Total current tax (note 7b)	<u>1,618</u>	<u>1,643</u>
Deferred tax:		
Reversal of timing differences	-	-
Tax on loss on ordinary activities	<u>1,618</u>	<u>1,643</u>

Notes to the Financial Statements

At 4 June 2005

7. Tax (continued)

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the period is different to the standard rate of corporation tax of 30%. The differences are reconciled below:

	<i>Period Ended</i> <i>4 June 2005</i>	<i>Year ended</i> <i>31 May 2004</i>
	<i>£000</i>	<i>£000</i>
Loss on ordinary activities before tax	(2,140)	(461)
Loss on ordinary activities multiplied by standard rate of corporation tax of 30%	(642)	(138)
Expenses not deductible for tax purposes	149	273
Depreciation in excess of capital allowances	566	579
Adjustments in respect of prior periods	(138)	-
Other timing differences	50	140
Unrelieved tax losses	1,241	425
Difference in tax rates	430	380
Tax losses brought forward	(38)	(13)
Chargeable gains	-	(3)
	<u>1,618</u>	<u>1,643</u>

(c) Factors that may affect future tax charges

The following deferred tax assets have not been recognised as there is not enough evidence to suggest that sufficient taxable profits will arise in the future to enable the assets to reverse.

	<i>Period ended</i> <i>4 June</i> <i>2005</i> <i>£000</i>	<i>Year ended</i> <i>31 May</i> <i>2004</i> <i>£000</i>
Capital allowances in advance of depreciation	(915)	(81)
Tax losses available	(4,489)	(2,528)
Other timing differences	(116)	(246)
	<u>(5,520)</u>	<u>(2,855)</u>

The fixed assets held by Interfloor Limited were revalued in 1988. There is no binding agreement to sell the revalued properties at present, and so no deferred tax has been recognised in respect of the revaluations. If the assets were to be sold at these valuations a taxable gain may arise.

Notes to the Financial Statements

At 4 June 2005

8. Profit attributable to the members of the parent company

The profit attributable to the members of the parent company for the period ended 4 June 2005 was £6,000 (2004: £7,000).

9. Intangible fixed assets

	<i>Group £000 Goodwill</i>
Cost:	
At 31 May 2004 and 4 June 2005	33,359
Amortisation:	
At 31 May 2004	3,392
Provided during the period	1,686
At 4 June 2004	5,078
Net book value at 4 June 2005	28,281
Net book value at 31 May 2004	29,967

Notes to the Financial Statements

At 4 June 2005

10. Tangible fixed assets

Group	Freehold Land & Buildings £000	Plant equipment and vehicles £000	Total £000
Cost or valuation:			
At 31 May 2004	5,667	11,883	17,550
Additions	39	1,722	1,761
Retranslation	6	23	29
At 4 June 2005	5,712	13,628	19,340
Depreciation:			
At 31 May 2004	675	2,855	3,530
Charge for the period	402	1,773	2,175
Retranslation	4	19	23
At 4 June 2005	1,081	4,647	5,728
Net book value:			
At 4 June 2005	4,630	8,982	13,612
At 31 May 2004	4,991	9,028	14,020

Freehold land amounting to £1,825,000 (2004: £1,825,000) has not been depreciated.

The net book value of plant equipment and vehicles above includes an amount of £942,000 (2004: £nil) in respect of assets held under finance leases and hire purchase contracts.

Notes to the Financial Statements

At 4 June 2005

11. Investments

Company

	2005 £000	2004 £000
Cost of shares in subsidiary undertaking	1	1

The company owns 100% of the issued £1 ordinary share capital in Interfloor Holdings Limited, a holding company.

Details of subsidiary undertakings are as follows:

Name of company	Country of registration	Holding	Proportion held	Nature of business
Interfloor Holdings Limited	England and Wales	Ordinary shares	100%	Intermediate Holding Company
Duralay International Holdings Limited	England and Wales	Ordinary shares	100%	Intermediate Holding Company
Interfloor Limited	England and Wales	Ordinary shares	100%	Manufacture of carpet underlay
Interfloor Investments Limited	England and Wales	Ordinary shares	100%	Dormant
Presbury Properties Limited	Jersey	Ordinary shares	100%	Property investments
Interfloor Trustees Limited	England and Wales	Ordinary shares	100%	Employee trust
Sponge Cushion Inc	USA	Ordinary shares	100%	Manufacture of carpet underlay
Duralay USA Inc	USA	Ordinary shares	100%	Intermediate Holding Company
Tacktrim	Scotland	Ordinary shares	100%	Dormant

Notes to the Financial Statements

At 4 June 2005

12. Stocks

	<i>Group</i> <i>2005</i> <i>£000</i>	<i>Group</i> <i>2004</i> <i>£000</i>
Raw material and consumables	3,381	2,813
Work in progress	250	257
Finished goods	5,099	4,134
	<u>8,730</u>	<u>7,204</u>

The difference between the purchase price or production cost and their replacement value is not material.

The company does not hold any stocks.

13. Debtors

	<i>Group</i> <i>2005</i> <i>£000</i>	<i>Company</i> <i>2005</i> <i>£000</i>	<i>Group</i> <i>2004</i> <i>£000</i>	<i>Company</i> <i>2004</i> <i>£000</i>
Trade debtors	20,581	-	21,943	-
Amounts owed by subsidiary undertakings	-	783	-	683
Other debtors	1,075	-	419	-
Prepayments and accrued income	668	-	2,343	-
	<u>22,324</u>	<u>783</u>	<u>24,705</u>	<u>683</u>

14. Creditors: amounts falling due within one year

	<i>Group</i> <i>2005</i> <i>£000</i>	<i>Company</i> <i>2005</i> <i>£000</i>	<i>Group</i> <i>2004</i> <i>£000</i>	<i>Company</i> <i>2004</i> <i>£000</i>
Instalments due on bank loan	4,400	-	4,400	-
Trade creditors	20,711	-	23,494	-
Amounts owed to group undertaking	-	11	-	-
Corporation tax	20	-	261	-
Other tax and social security	995	-	1,180	-
Other creditors	2,289	-	1,312	-
Accruals and deferred income	12,455	-	8,077	-
Obligations under finance leases and hire purchase contracts	255	-	-	-
Bank loan and overdraft	869	-	-	-
	<u>41,994</u>	<u>11</u>	<u>38,724</u>	<u>-</u>

Notes to the Financial Statements

At 4 June 2005

15. Creditors: amounts falling due after one year

	Note	Group 2005 £000	Group 2004 £000
Bank loan	16	20,070	24,318
Other loans	16	20,207	20,202
Obligations under finance leases and hire purchase contracts	22	656	-
		<u>40,933</u>	<u>44,520</u>

16. Loans

	Group 2005 £000	Group 2004 £000
Not wholly repayable within five years:		
£42,000,000 bank loan repayable £1,100,000 (2004: £1,250,000) quarterly from August 2005 plus £12,000,000 in May 2010 (note 21)	24,470	28,718
£20,302,000 loan note repayable in full in June 2011	19,950	19,900
£347,000 loan note repayable in full in June 2011	257	302
Less: included in creditors amounts due within one year	(4,400)	(4,400)
	<u>40,277</u>	<u>44,520</u>

	Bank loans £'000	Loan notes £'000	Total £'000
Amounts repayable			
In one year or less	4,400	-	4,400
In more than one year but less than two years	4,400	-	4,400
In more than two years but less than five years	8,600	-	8,600
	<u>17,400</u>	<u>-</u>	<u>17,400</u>
In more than five years	7,600	20,559	28,159
	<u>25,000</u>	<u>20,559</u>	<u>45,559</u>
Less: unamortised issue expenses	(530)	(352)	(882)
	<u>24,470</u>	<u>20,207</u>	<u>44,677</u>

The company has a £42,000,000 bank loan facility secured by a charge over the assets of the group. £36,000,000 of this loan carries interest at rates of between 5.9% and 6.8%. £6,000,000 of this loan carries interest of LIBOR and 3.5% with a further repayment premium to take the total interest rate to 17%, payable at the end of the term of the loan.

The loan notes are repayable on 30 June 2011 or earlier at the option of the group. The £20,302,000 loan note carries interest at 15% and the £347,000 loan note carries interest at 7.5%.

Notes to the Financial Statements

At 4 June 2005

17. Provisions for liabilities and charges

	<i>Deferred taxation 2005 £000</i>	<i>Deferred taxation 2004 £000</i>
<i>Group</i>		
On acquisition	-	-
Deferred tax charge in profit and loss account	-	-
	-	-

18. Called up share capital

<i>Group and company</i>	<i>2005 £000</i>	<i>2004 £000</i>
Authorised:		
850,000 A ordinary shares of £1 each	850	850
150,000 B ordinary shares of £1 each	150	150
	<u>1,000</u>	<u>1,000</u>
Allotted, called up and paid:		
850,000 A ordinary shares of £1 each	850	850
134,000 B ordinary shares of £1 each	134	149
	<u>984</u>	<u>999</u>

During the period 15,000 B ordinary shares were repurchased.

The A and B ordinary shares are separate classes of shares but carry the same rights to income, capital and voting, ranking pari passu in all respects, until a listing, sale or winding up of the company takes place.

On the occasion of a listing, sale or winding up of the company a number of A ordinary shares will be converted into deferred shares. The number of shares to be converted is calculated based on the internal rate of return for A shareholders.

Deferred shareholders are not entitled to any distributions, or vote or to attend any general meeting of the company.

On the winding up of the company, holders of deferred shares are entitled to repayment of amounts paid up on such shares after payment in respect of each A and B ordinary share.

Notes to the Financial Statements

At 4 June 2005

19. Reconciliation of shareholders' funds and movement on reserves

Group

	<i>Share Capital £000</i>	<i>Profit and loss reserve £000</i>	<i>ESOP reserve £000</i>	<i>Capital redemption reserve</i>	<i>Total share holders funds £000</i>
At 1 June 2003	990	(4,123)	-	-	(3,133)
Foreign exchange movement	-	(203)	-	-	(203)
Share issue	9	-	-	-	9
Share repurchase	-	-	(15)	-	(15)
Loss for the period	-	(2,104)	-	-	(2,104)
At 31 May 2004	999	(6,430)	(15)	-	(5,446)
Foreign exchange movement	-	25	-	-	25
Loss for the period	-	(3,758)	-	-	(3,758)
Share purchase	(15)	-	-	15	-
At 4 June 2005	984	(10,163)	(15)	15	(9,179)

The capital redemption reserve was created upon the repurchase of shares from a former director.

Notes to the Financial Statements

At 4 June 2005

19. Reconciliation of shareholders' funds and movement on reserves (continued)

<i>Company</i>	<i>Share Capital £000</i>	<i>Profit and loss reserve £000</i>	<i>Total share holders funds £000</i>
At 1 June 2003	990	-	990
Share Issue	9	-	9
Profit for the period	-	7	7
At 31 May 2004	999	7	1,006
Profit for the period	-	6	6
Share purchase	(15)	-	(15)
At 4 June 2005	984	13	997

Notes to the Financial Statements

At 4 June 2005

20. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash outflow from operating activities

	2005 £000	2004 £000
Operating profit	5,596	4,445
Depreciation	2,175	2,250
Amortisation of goodwill	1,686	1,672
Decrease/(increase) in debtors	2,112	(4,126)
(Increase)/ decrease in stocks	(1,526)	2,022
(Decrease)/increase in creditors	(2,734)	1,144
Exchange differences	221	84
Net cash inflow from operating activities	7,530	7,491

(b) Analysis of cash flows

	2005 £000	2004 £'000
<i>Returns on investments and servicing of finance</i>		
Interest received	543	253
Interest paid	(3,150)	(3,762)
Interest element of finance lease rentals	(8)	-
	(2,615)	(3,509)

	2005 £000	2004 £'000
<i>Taxation</i>		
Corporation tax paid	(1,859)	(1,616)

	2005 £'000	2004 £'000
<i>Capital expenditure and financial investment</i>		
Payment to acquire tangible fixed assets	(1,761)	(2,210)
Receipts from sales of tangible fixed assets	19	6,395
Purchase of own shares	-	(15)
	(1,742)	4,170

Notes to the Financial Statements

At 4 June 2005

20. Notes to the statement of cash flows (continued)

	2005 £000	2004 £'000
<i>Acquisitions and disposals</i>		
Sale of subsidiary undertaking	250	1,547
	<u>250</u>	<u>1,547</u>

	2005 £000	2004 £'000
<i>Financing</i>		
Issue of ordinary shares	-	9
Net movement in long term borrowings	(4,445)	(12,645)
Capital element of finance lease rentals	911	-
	<u>(3,534)</u>	<u>(12,636)</u>

(c) Analysis of changes in net debt

	At 1 June 2004 £000	Cashflow £000	Other charges £000	At 4 June 2005 £000
Cash at bank and in hand	1,902	(1,970)	-	(68)
Debt due after one year	(48,920)	4,445	(202)	(44,677)
Finance lease obligations	-	(911)	-	(911)
	<u>(47,018)</u>	<u>1,564</u>	<u>(202)</u>	<u>(45,656)</u>

Notes to the Financial Statements

At 4 June 2005

21. Guarantees and other financial commitments

On 19 August 2005, the company agreed a composite guarantee and debenture with other group companies, Masai Holdings Limited, Masal Operations Limited, Interfloor Holdings Limited, Duralay International Holdings Limited and Interfloor Limited to Kaupthing Bank HF for all monies due to a fixed and floating charge held over all assets of each company. This financial assistance was in connection with the acquisition of the entire shareholding in Interfloor Group Limited.

a) Capital commitments

	4 June 2005 £000	31 May 2004 £000
Contracted for but not provided for	400	127

(b) Lease commitments

The group has entered into non-cancellable operating leases in respect of plant and machinery, the payments for which extend over a period of up to 5 years. The total rental for the period was £1,008,000 (2004: £581,000). The lease agreements provide that the company will pay all insurance, maintenance and repairs.

In addition, the group leases certain land and buildings on short and long-term operating leases. The rental on these leases was £831,000 (2004: £804,000). The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The group pays all insurance maintenance and repairs of these properties.

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

	4 June 2005 Property £000	4 June 2005 Plant & Machinery £000	31 May 2004 Property £000	31 May 2004 Plant & Machinery £000
<i>Operating leases which expire</i>				
Within 1 year	64	155	-	25
Within 2-5 years	-	518	152	738
After 5 years	740	-	652	3
	<u>804</u>	<u>673</u>	<u>804</u>	<u>766</u>

Notes to the Financial Statements

At 4 June 2005

22. Obligations under finance leases and hire purchase contracts

	4 June 2005	30 May 2004
Amounts Payable:		
Within 1 year	302	-
In two to five years	689	-
Less finance charges allocated to future periods	(80)	-
	<u>911</u>	<u>-</u>

Finance leases and hire purchase contracts are analysed as follows:

Current obligations	255	-
Non-current obligations	656	-
	<u>911</u>	<u>-</u>

23. Pension commitments

The group sponsors the Interfloor Final Salary Scheme ("the Main Scheme") and the Interfloor Limited Executive Scheme ("the Executives Scheme") which are both defined benefit arrangements. The last full actuarial valuation of these schemes were carried out by a qualified independent actuary as at 1 August 2003 and updated on an approximate basis to 4 June 2005

Contributions to the schemes are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations.

The main assumptions adopted for pension cost purposes were:

Valuation rate of interest	6.5% per annum
Rate of salary increase	4.0% per annum
Rate of increase to pensions in payment subject to Limited Price Indexation	2.5% per annum
Rate of increase to pensions in deferment subject to statutory revaluation	3.0% per annum

At 1 August 2003 the market value of the assets of the schemes was £7,654,000 which was sufficient to cover 64.5% of the benefits that had accrued to members, after allowing for expected future increases in pensionable salaries.

The pension charge for the year was £984,000. This is inclusive of £446,000 in respect of the amortisation of experience deficit of the scheme that is being recognised over 15 years, the average expected remaining service lifetime of employees.

The contributions made by the company during the financial year amounted to £934,000, exclusive of employee contributions.

Notes to the Financial Statements

At 4 June 2005

23. Pension commitments (continued)

The contribution rate payable by the employer in respect of the Main Scheme is 16% of pensionable salaries to 31 July 2004, and 11.2% of pensionable salaries plus an annual payment of £306,000 thereafter. In respect of the Executive Scheme the employer contribution is 29% of pensionable salaries to 17 June 2006, reverting to 21% of pensionable salaries from that date..

Both schemes closed to new entrants with effect from 1 March 2002 and therefore the current service cost as a percentage of pensionable payroll is likely to increase as the membership ages, although it will be applied to a decreasing pensionable payroll.

The transitional arrangements of FRS17 require disclosure of assets and liabilities as at 4 June 2005 calculated in accordance with the requirements of FRS17. They also require disclosure of the items which would appear in the profit and loss account and in the statement of total recognised gains and losses were the full requirements of FRS17 in place. For the purpose of these financial statements, all of those figures are illustrative only and do not impact on the actual 4 June 2005 balance sheet or on this year's performance statements.

Assumptions

The assets of both schemes have been taken at market value and the liabilities have been calculated using the following actuarial assumptions:

	<i>4 June 2005 % pa</i>	<i>31 May 2004 %pa</i>	<i>30 April 2003 %pa</i>
Inflation	2.75	3.00	2.50
Salary increases	3.00	3.00	3.00
Rate of discount	5.25	5.75	5.25
Pension in payment increases	2.75	3.00	2.50
Revaluation rate for deferred pensioners	2.75	3.00	2.50

Notes to the Financial Statements

At 4 June 2005

23. Pension commitments (continued)

The assets in the scheme and the expected rate of return were:

	<i>Long term rate of return at the period end 2005 %</i>	<i>Value 2005 £'000</i>	<i>Long term rate of return at the period end 2004 %</i>	<i>Value 2004 £'000</i>	<i>Long term rate of return at the period end 2003 %</i>	<i>Value 2003 £'000</i>
Equities	7	6,912	7	6,499	7	5,945
Bonds and cash	5	2,963	5	1,625	5	1,486
Total market value of assets		9,875		8,124		7,431
Present value of scheme liabilities		(17,307)		(14,391)		(12,015)
Deficit in the scheme		(7,432)		(6,267)		(4,584)
Related deferred tax asset		2,230		1,880		1,375
Net pension liability under FRS 17		(5,202)		(4,387)		(3,209)

If the amounts above had been recognised in the financial statements, the group's net assets and profit and loss reserve at 30 April 2003, 31 May 2004 and 4 June 2005 would be as follows:

	<i>Net assets 4 June 2005 £'000</i>	<i>Profit and loss reserve 4 June 2005 £'000</i>	<i>Net assets 31 May 2004 £'000</i>	<i>Profit and loss reserve 31 May 2004 £'000</i>	<i>Net assets 30 April 2003 £'000</i>	<i>Profit and loss reserve 30 April 2003 £'000</i>
Excluding pension liability	(9,179)	(10,163)	(5,446)	(6,430)	(3,133)	(4,123)
Net pension liability	(5,202)	(5,202)	(4,387)	(4,387)	(3,209)	(3,209)
	(14,381)	(15,365)	(9,833)	(10,817)	(6,342)	(7,332)

Notes to the Financial Statements

At 4 June 2005

23. Pension commitments (continued)

Illustrative charge to the profit and loss account over the financial year

	4 June 2005 £'000	31 May 2004 £'000
Current service cost	484	619
Expected return on pension scheme assets	561	511
Interest on pension scheme liabilities	(705)	(647)
Net negative return	(144)	(136)
Total cost	628	755

Analysis of the movement in deficit in the scheme during the year

	31 May 2005 £'000	31 May 2004 £'000
Deficit in schemes at beginning of year	(6,267)	(4,584)
Movement in year:		
Current service cost	(484)	(619)
Net negative return	(144)	(135)
Employer contributions	934	821
Actuarial loss	(1,471)	(1,750)
Deficit in schemes at end of year	(7,432)	(6,267)

History of experience gains and losses

	31 May 2005 £'000	Percentage of Scheme liabilities %	31 May 2004 £'000	Percentage of scheme liabilities %
Difference between expected and actual return on assets	598	6.1	279	3.4
Experience gains and losses arising on the schemes' liabilities	(636)	(3.7)	329	2.3
Effects of changes in the demographic and financial assumption underlying the present value of the schemes' liabilities	(1,434)	(8.3)	(2,359)	(16.4)
Total amount recognised in the statement of total recognised gains and losses	(1,472)	(8.5)	(1,751)	(12.2)

Notes to the Financial Statements

At 4 June 2005

23. Pension commitments (continued)

The company also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The unpaid contributions outstanding at the year end, included in other creditors are £70,000 (2004 £3,000).

24. Related party transactions

A management fee of £250,000 was paid to The Rutland Partnership, a related party. Loan notes of £20,302,000 have been issued by The Rutland Partnership to Interfloor Holdings, a subsidiary of the Interfloor Group. Interest is charged at 15% of the Capital amount. Interest of £4,358,000 was accrued during the financial year. An accrual of £9,832,000 remains at the year end in respect of interest amounts due to Rutland.

Also during the year a settlement was made to a former Director of Interfloor Group Limited. The settlement comprised of the following elements: repurchase of shares in Interfloor Group for £100,000, repayment of management loan of £45,000 together with accrued interest of £5,031. All the amounts had been paid by year end.

Loan notes totalling £45,000, together with accrued interest of £5,031 were repaid to a former director of Interfloor Group Limited, the ultimate parent undertaking. There were no outstanding amounts in respect of this transaction at the year end.

As at the year end there are £257,000 of management loan notes which were made to the company by the directors. Interest is charged on these loan notes at 7.5%, and the interest charge for the year was £42,000. As at the year end the interest accrual in relation to the loan notes totalled £45,000.

25 Parent undertaking and controlling party

On 19 August 2005, 100% of the company's outstanding share capital was purchased by Masai Holdings Limited through its subsidiary undertaking, Masal Operations Limited, both of which were newly formed companies.

As a result of the transaction, the company's immediate parent undertaking is Masal Operations Limited and its ultimate parent undertaking is Masai Holdings Limited.

At the balance sheet date the ultimate controlling party was Rutland Fund Management Limited. Following the transaction the group the ultimate controlling party is European Acquisition Capital Limited.

26 Post balance sheet event

On 19 August 2005, 100% of the company's outstanding share capital was purchased by Masai Holdings Limited through its subsidiary undertaking, Masal Operations Limited, both of which were newly formed companies.

As a result of this transaction the outstanding loan balances were repaid to the respective parties and new financing was introduced from Kaupthing Bank HF and European Acquisition Capital Limited.