Interfloor Group Limited

Directors' report and financial statements

Registered number 4417189

3 June 2006

Contents

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 £428,000 (*2005: £6,000*). The Directors do not recommend a dividend be paid (*2005: £nil*).

Post balance sheet events

Details of dividends received and dividends declared after the balance sheet date and not accounted for in these financial statements, are shown in note 12.

Principal activities and review of the business

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

On 19 August 2005 the ordinary share capital of the Company was acquired by the group headed by Masai Holdings Limited through its subsidiary Masal Operations Limited. From that date the Company ceased to be the ultimate parent undertaking of the Group and hence the Directors have taken advantage of the exemption afforded by section 228 of the Companies Act 1985 from preparing consolidated financial statements.

Directors and their interests

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

J Brooks	(resigned 19 August 2005)
D Carter	(resigned 19 August 2005)
P Downes	(appointed 4 April 2006, resigned 14 November 2006)
S Downey	
L Dunn	(resigned 19 August 2005)
N Jervis	(resigned 19 August 2005)
J Mitchell	(resigned 19 August 2005)
N Morrill	(resigned 19 August 2005)
B Mrozek	
P Reeder	(appointed 19 August 2005)

Mr M Taylor and Mr E Rinner were appointed directors of the Company on 14 August 2006 and 14 November 2006 respectively.

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 they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' report *(continued)*

Auditors

Following the acquisition of the Company (see note 11) 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

12 December 2006
Broadway
Haslingden
Rossendale
Lancashire
BB4 4LS

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 Interfloor Group Limited

We have audited the financial statements of Interfloor Group 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 3.

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 Interfloor Group 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.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

14 December 2006

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

	Note	**52 weeks ended 3 June 2006 £000**	53 weeks ended 4 June 2005 £000
Management charges		**-**	18
		-	18
Gross profit			
Administrative expenses		**-**	-
Operating profit	*2- 3*	**-**	18
Interest receivable – other		**5**	2
		5	20
Profit on ordinary activities before taxation			
Tax on profit on ordinary activities	*4*	**423**	(14)
Retained profit for the financial period	*10*	**428**	6

There are no recognised gains or losses in either period, other than the result for the period in the above profit and loss account.

Balance sheet
at 3 June 2006

	Note	**2006** **£000**	2005 £000
Fixed assets			
Investments	*5*	**22,501**	1
Current assets			
Debtors	*6*	**37,264**	783
Cash		**232**	224
		37,496	1,007
Creditors: amounts falling due within one year	*7*	**(58,572)**	(11)
Net current (liabilities) / assets		**(21,076)**	996
Total assets less current liabilities		**1,425**	997
Capital and reserves			
Called up share capital	*8-9*	**984**	984
Profit and loss account	*9*	**441**	13
Equity shareholders' funds	*9*	**1,425**	997

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 £	53 weeks ended 4 June 2005 £
Profit for the financial period	**428**	6
Net addition to shareholders' funds	**428**	6
Opening shareholders' funds	**997**	991
Closing shareholders' funds	**1,425**	997

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:

- FRS 21 'Events after the balance sheet date'; and
- FRS 28 'Corresponding amounts'.

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 s248 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 10.

Investments

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

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.

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 Profit on ordinary activities before taxation

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

4 Taxation

The tax (credit) / charge is made up as follows:

	52 weeks ended 3 June 2006 £000	53 week ended 4 June 2005 £000
UK corporation tax at 30%		
Group relief (receivable)/payable	**(423)**	14
Total tax	**(423)**	14

Factors affecting the tax (credit) / charge for the current period

The tax assessed for the period differs from the standard rate of 30% for corporation tax in the UK. The differences are explained below.

	52 weeks ended 3 June 2006 £000	53 week ended 4 June 2005 £000
Current tax reconciliation		
Profit on ordinary activities before tax	**5**	20
Tax on profit or loss on ordinary activities at standard rate of corporation tax in the UK of 30% *(2005 : 30%)*	**1**	6
Expenses not deductible for corporation tax	**-**	8
Transfer pricing adjustments	**(424)**	-
Total current tax (credit)/charge (see above)	**(423)**	14

Notes *(continued)*

4 Taxation

Factors that may affect future current and total tax charges

There are no recognised or unrecognised deferred tax assets or liabilities within the Company

5 Fixed asset investments

	Subsidiary undertakings
	£000
At beginning of period	1
Additions	22,500
At end of period	22,501

The Company owns 100% of the issued ordinary share capital of Interfloor Holdings Limited, a holding company. During the period the Company subscribed for a further 22,500,000 £1 shares issued at par.

6 Debtors

	2006	2005
	£000	£000
Amounts owed by group undertakings	**37,264**	783

7 Creditors: amounts falling due within one year

	2006	2005
	£000	£000
Amounts owed to parent undertakings	**58,572**	-
Amounts owed to group undertakings	-	11
	58,572	11

Notes *(continued)*

8 Reserves

	Share capital £000	Profit and loss account £000	Total £000
At 4 June 2005	984	13	997
Profit for the period	-	428	428
At 3 June 2006	**984**	**441**	**1,425**

9 Guarantees and 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, Interfloor Limited and Duralay International Holdings 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.

10 Ultimate parent undertaking and controlling party

On 19 August 2005 the share capital of 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 by 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.

Notes *(continued)*

11 Post balance sheet events

On 30 November 2006 the Directors of Interfloor Holdings Limited, the Company's immediate subsidiary undertaking, declared a dividend of £16,000,000. The Directors of Interfloor Group Limited have subsequently declared a dividend of £16,000,000. 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 receipt and dividend payment on the balance sheet at 3 June 2006 had they both been declared prior to the balance sheet date.

	Balance sheet at 3 June 2006 (Audited) £000	Dividend Receipt £000	Dividend Payment £000	**Proforma Balance Sheet at 3 June 2006 (Unaudited) £000**
Fixed asset investments	22,501			**22,501**
Debtors	37,264	16,000		**53,264**
Cash at bank and in hand	232			**232**
Current assets	37,496			**53,496**
Creditors falling due within one year	(58,572)		(16,000)	**(74,572)**
Net current liabilities	(21,076)			**(21,076)**
Net assets	1,425			**1,425**