

**Interfloor Industries Limited (formerly Interfloor  
Group Limited)**

**Directors' report and financial  
statements**

Registered number 4417189

31 May 2008

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## Directors' report

The Directors present their Directors' report and financial statements for the period ended 31 May 2008

### Results and dividends

The profit for the period, after taxation amounted to £nil (2007 £16,002,000) No dividend was declared in the period (2007 £16,000,000)

### Principal activities and review of the business

The principal activity of the Company is that of an intermediate holding company

### Change of name

On 21 February 2008 Interfloor Group Limited changed its name to Interfloor Interfloor Limited

### Directors

The Directors who held office during the period were as follows

S Downey  
B Mrozek  
P Reeder  
E Rinner (resigned 16 May 2008)  
M Taylor

### 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

### Auditors

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<sup>th</sup> September 2008

## **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 Industries Limited  
(formerly Interfloor Group Limited)**

We have audited the financial statements of Interfloor Industries Limited (formerly Interfloor Group Limited) for the period ended 31 May 2008 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 judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

**Independent auditors' report to the members of Interfloor Industries Limited  
(formerly 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 31 May 2008 and of its result 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**  
*Chartered Accountants*  
*Registered Auditor*

*12 September* 2008

**Profit and loss account**  
*for the 52 weeks ended 31 May 2008*

	<i>Note</i>	<b>52 weeks ended 31 May 2008 £000</b>	<b>52 weeks ended 2 June 2007 £000</b>
Other operating Income		-	16 000
<b>Operating profit</b>	<b>3</b>	-	16,000
Interest receivable – other		-	3
<b>Profit on ordinary activities before taxation</b>		-	16,003
Tax on profit on ordinary activities	<b>4</b>	-	(1)
<b>Profit for financial period</b>	<b>9</b>	-	16 002

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 31 May 2008*

	<i>Note</i>	<b>31 May 2008 £000</b>	<b>2 June 2007 £000</b>
<b>Fixed assets</b>			
Investments	5	22,501	22 501
<b>Current assets</b>			
Debtors	6	16,281	16 281
		16,281	16 281
<b>Creditors' amounts falling due within one year</b>	7	(37,355)	(37 355)
<b>Net current liabilities</b>		(21,074)	(21 074)
<b>Total assets less current liabilities</b>		1,427	1 427
<b>Capital and reserves</b>			
Called up share capital	8 9	984	984
Profit and loss account	9	443	443
<b>Equity shareholders' funds</b>	9	1,427	1 427

These financial statements were approved by the Board of Directors on 12<sup>th</sup> September 2008 and were signed on its behalf by

  
 M Taylor  
 Director



**Reconciliation of movement in shareholders' funds**  
*for the 52 weeks ended 31 May 2008*

	52 weeks ended 31 May 2008 £	52 weeks ended 2 June 2007 £
Profit for the financial period	-	16 002
Dividends paid	-	(16 000)
	<hr/>	<hr/>
Net movement in shareholders' funds	-	2
Opening shareholders' funds	1,427	1 425
	<hr/>	<hr/>
Closing shareholders' funds	1,427	1 427
	<hr/>	<hr/>

## 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

#### *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 11.

#### *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.

#### *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 1 June 2008.

### 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.

## Notes (continued)

### 3 Operating profit

Operating profit is stated after crediting

	52 weeks ended 31 May 2008 £000	53 weeks ended 2 June 2007 £000
Dividends receivable from subsidiary undertakings	-	16 000
	<u>          </u>	<u>          </u>

Auditors remuneration is £nil (2007 £nil)

### 4 Taxation

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

	52 weeks ended 31 May 2008 £000	52 weeks ended 2 June 2007 £000
UK corporation tax at 30%		
Group relief payable / (receivable)	-	1
	<u>          </u>	<u>          </u>

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

The current tax charge for the period is in line (2007 lower) with the standard rate of corporation tax in the UK 29.67% (2007 30%). The differences are explained below

	52 weeks ended 31 May 2008 £000	52 weeks ended 2 June 2007 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	-	16,003
	<u>          </u>	<u>          </u>
Tax on profit or loss on ordinary activities at standard rate of corporation tax in the UK of 29.67% (2007 30%)	-	4 801
Non taxable income	-	(4 800)
	<u>          </u>	<u>          </u>
Total current tax (credit)/charge (see above)	-	1
	<u>          </u>	<u>          </u>

#### *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 and end of period	22 501
	<u>          </u>

The Company owns 100% of the issued ordinary share capital of Interfloor Holdings Limited, a holding company

## Notes (continued)

### 6 Debtors

	2008 £000	2007 £000
Amounts owed by group undertakings	16,281	16 281

### 7 Creditors' amounts falling due within one year

	2008 £000	2007 £000
Amounts owed to parent undertakings	37,355	37 355

### 8 Called up share capital

	2008 £000	2007 £000
<i>Authorised</i>		
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>
<i>Allotted, called up and fully paid</i>		
850 000 A ordinary shares of £1 each	850	850
133 500 B ordinary shares of £1 each	134	134
	<u>984</u>	<u>984</u>

### 9 Reserves

	Share capital £000	Profit and loss account £000	Total £000
At beginning and end of the period	984	443	1,427

### 10 Guarantees and financial commitments

The Company has a composite guarantee and debenture with other group companies Interfloor Group Limited (formerly Masai Holdings Limited) Interfloor Operations Limited (Masai Operations Limited), Interfloor Holdings Limited, Interfloor Limited, Duralay International Holdings Limited and Stikatak 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 Industries Limited (formerly Interfloor Group Limited). At the year end £38,882,000 (2007 - £44,880,000) was outstanding under this agreement.

## Notes (continued)

### 11 Ultimate parent undertaking and controlling party

At the balance sheet date the Company's immediate parent undertaking was Interfloor Operations Limited (formerly Masal Operations Limited). The ultimate parent company is Interfloor Group Limited (Masai Holdings Limited).

55.0% of the issued share capital of Masai Holdings Limited is held by EAC (Scotland) GP3 Limited on behalf of investors in EAC Fund 111 Limited Partnership and EAC Fund 111 GmbH & Co. Beteiligungs KG. These funds are managed by Milestone Capital Partners LLP. 22.5% 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 Milestone Capital Partners LLP.

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.