Interfloor Industries Limited

Directors' report and financial statements

Registered number 4417189

30 May 2009

Contents

Directors' report

The Directors present their Directors' report and audited financial statements for the period ended 30 May 2009.

Results and dividends

The profit for the period, after taxation, amounted to £4,500,000 (*2008: £nil*). A dividend of £4,500,000 was paid in the period (*2008: £nil*).

Principal activities and review of the business

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

Directors

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

S Downey (resigned 16 October 2008)
B Mrozek
P Reeder
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

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

M Taylor
Director

Broadway
Haslingden
Rossendale
Lancashire
BB4 4LS

23 September 2009

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).

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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

We have audited the financial statements of Interfloor Industries Limited for the period ended 30 May 2009 set out on pages 5 to 13. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with sections 495 and 496 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 May 2009 and of its profit for the period then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of Interfloor Industries Limited *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Steve Burdass

S Burdass (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

23/09/ 2009

Profit and loss account
for the 52 weeks ended 30 May 2009

	Note	**52 weeks ended 30 May 2009 £000**	52 weeks ended 31 May 2008 £000
Operating profit	3	-	-
Income from shares in group undertakings		**4,500**	-
Profit on ordinary activities before taxation		**4,500**	-
Tax on profit on ordinary activities	4	-	-
Profit on ordinary activities after taxation	9	**4,500**	-

There are no recognised gains or losses in either period, other than the result for the period in the above profit and loss account and therefore no statement of total recognised gains or losses has been presented.

Balance sheet
at 30 May 2009

	Note	2009 £000	2008 £000
Fixed assets			
Investments	5	**22,501**	22,501
Current assets			
Debtors	6	**20,781**	16,281
		20,781	16,281
Creditors: amounts falling due within one year	7	**(41,855)**	(37,355)
Net current liabilities		**(21,074)**	(21,074)
Total assets less current liabilities		**1,427**	1,427
Net assets		**1,427**	1,427
Capital and reserves			
Called up share capital	8,9	**984**	984
Profit and loss account	9	**443**	443
Equity shareholders' funds	9	**1,427**	1,427

These financial statements were approved by the Board of Directors on 23 September 2009 and were signed on its behalf by:

M Taylor
Director

Reconciliation of movement in shareholders' funds
for the 52 weeks ended 30 May 2009

	52 weeks ended 30 May 2009	52 weeks ended 31 May 2008
	£	£
Profit for the financial period	**4,500**	-
Dividends paid	**(4,500)**	-
Net addition to shareholders' funds	**-**	-
Opening shareholders' funds	**1,427**	1,427
Closing shareholders' funds	**1,427**	1,427

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 in accordance with applicable accounting standards and under the historical cost accounting rules.

The Company is exempt by virtue of s400 of the Companies Act 2006 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 (Revised 1996) 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 Interfloor Group 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 Interfloor Group 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.

Classification of financial instruments issued by the Company

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges.

Notes *(continued)*

1 Accounting policies *(continued)*

Dividends on shares presented within equity

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

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 31 May 2009.

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

Amounts receivable by the company's auditor in respect of these financial statements are £1,000 *(2008: £1,000)*. This cost is borne by Interfloor Limited.

Amounts paid to the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

Notes *(continued)*

4 Taxation

The tax charge is made up as follows:

	52 weeks ended 30 May 2009 £000	52 weeks ended 31 May 2008 £000
UK corporation tax at 28%		
Group relief payable	**-**	-

Factors affecting the tax charge for the current period

The tax assessed for the period differs from the standard rate of 28% for corporation tax in the UK. The differences are explained below.

	52 weeks ended 30 May 2009 £000	52 weeks ended 31 May 2008 £000
Current tax reconciliation		
Profit on ordinary activities before tax	**4,500**	-
Tax on profit or loss on ordinary activities at standard rate of corporation tax in the UK of 28% *(2008 : 30%)*	**1,260**	-
Non taxable income	**(1,260)**	-
Total current tax charge (see above)	**-**	-

Factors that may affect future current and total tax charges

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

Notes *(continued)*

5 Fixed asset investments

	Subsidiary undertakings £000
At beginning and end of period	22,501

Details of direct subsidiary undertakings are as follows:

	Country of incorporation	Holding	Proportion held	Nature of Business
Interfloor Holdings Limited	England	Ordinary shares	100%	Holding

Details of indirect subsidiary undertakings are as follows:

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

6 Debtors

	2009 £000	2008 £000
Amounts owed by group undertakings	**20,781**	16,281

7 Creditors: amounts falling due within one year

	2009 £000	2008 £000
Amounts owed to parent undertakings	**41,855**	37,355

Notes *(continued)*

8 Called up share capital

	2009 £000	2008 £000
Authorised		
850,000 'A' ordinary shares of £1 each	**850**	850
150,000 'B' ordinary shares of £1 each	**150**	150
	1,000	1,000
Allotted, called up and fully paid		
850,000 'A' ordinary shares of £1 each	**850**	850
133,500 'B' ordinary shares of £1 each	**134**	134
	984	984

9 Reserves

	Share capital £000	Profit and loss account £000	Total £000
At beginning of the period	984	443	1,427
Profit for the period	-	4,500	-
Dividends on shares classified as shareholders funds	-	(4,500)	-
At 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, Interfloor 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. At the year end £37,312,000 (*2008 - £38,882,000*) 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. The ultimate parent company is Interfloor Group Limited.

55.0% of the issued share capital of Interfloor Group 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 Interfloor Group 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.

After the period end 33.1% of the issued share capital was transferred from EAC (Scotland) GP3 Limited to Milestone GP Limited on behalf of investors in Milestone Link Fund LP. These funds are also managed by Milestone Capital Partners LLP who remain the ultimate controlling party.

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