

Financial Statements Interfloor Group Limited

for the period ended 2 June 2012



Registered number: 05516829

Interfloor Group Limited

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Interfloor Group Limited

Directors' Report

for the period ended 2 June 2012

The Directors present their report and audited financial statements for the period ended 2 June 2012

Principal activities

The principal activity of the Group during the period was the manufacture of underlay and related products

Key risks and uncertainties

The Group's results are primarily affected by changes in consumer spending. During the period market demand was patchy reflecting the general economic uncertainty both in the UK and overseas. The prices of key commodity raw materials and energy can also have a significant impact on the Group's performance. The costs of specific raw material commodities were higher over the period than the prior period which had an adverse impact on the Group's cost base.

Business review

Although the overall market was subdued, specific sales and marketing initiatives largely offset the impact of this, the decline in turnover of 1.5% compared to the prior period being largely attributable to the prior period being 53 weeks. Selling price increases, further cost reduction and efficiency programmes were also implemented but these were offset by higher raw material costs and consequently operating profit before exceptional items and goodwill was £3.8m (2011: £4.1m).

Given the growth of Polyurethane underlays a new production line will be established at the Haslingden site to increase capacity. This investment will cost £1.6m and will be commissioned in the autumn of 2012.

Since the period end trading has been reasonable.

On 14 October 2011 the Group completed a refinancing of its bank loans with the existing lender. Under the terms of the agreement the facilities have been extended from August 2012 to August 2014 and the repayments have been rescheduled. In addition, on the same date the coupon on £27.1m of loan notes was reduced from 10% to 0%. Further details are given in note 18 of the accounts.

The Directors utilise various KPI's in order to assess the performance of the business. These include -

KPI's	2012	2011
Operating profit before exceptional items and goodwill as a % of turnover	5.1%	5.6%
Operating profit before exceptional items and goodwill per employee (£000)	10.4	10.5
Distribution costs as a % of turnover	15.0%	15.2%

Proposed dividend

The Directors do not recommend the payment of a dividend (2011: £Nil).

Interfloor Group Limited

Directors' Report

for the period ended 2 June 2012

Directors

The Directors who served during the period were

P Reeder
E Rinner
M Taylor

Political and charitable contributions

The Group made no political or charitable donations during the period (2011 Nil)

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 Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation

The Group 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 of the various factors affecting the performance of the Group. 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.

Provision of information to auditor

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that

- so far as that Director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- that Director has taken all the steps that ought to have been taken as a Director in order to be aware of any information needed by the Company and the Group's auditor in connection with preparing its report and to establish that the Company and the Group's auditor is aware of that information.

Auditor

Grant Thornton have expressed their willingness to continue in office and will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the Company receives notification under Section 488(1) of the Companies Act 2006.

This report was approved by the board on 21 September 2012 and signed on its behalf



M Taylor
Director

Interfloor Group Limited

Directors' Responsibilities Statement *for the period ended 2 June 2012*

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 the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 the Group and of the profit or loss of the Group 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,
- 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 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 Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Independent Auditor's Report to the Members of Interfloor Group Limited

We have audited the financial statements of Interfloor Group Limited for the period ended 2 June 2012, which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 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 auditor

As explained more fully in the Directors' responsibilities statement, 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 and express an opinion on 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Auditing Practices Board's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 2 June 2012 and of the group's loss for the period then ended,
- have been properly prepared in accordance with United Kingdom 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 period for which the financial statements are prepared is consistent with the financial statements.



Independent Auditor's Report to the Members of Interfloor Group Limited

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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

A handwritten signature in black ink, appearing to read "K Engel", written over a horizontal line.

Kevin Engel (Senior statutory auditor)

for and on behalf of

Grant Thornton UK LLP

Chartered Accountants

Statutory Auditor

Manchester

21 September 2012

Interfloor Group Limited

Consolidated Profit and Loss Account for the period ended 2 June 2012

	Note	52 weeks ended 2 June 2012 £'000	52 weeks ended 2 June 2012 £'000	53 weeks ended 4 June 2011 £'000	53 weeks ended 4 June 2011 £'000
Group Turnover	1,2		71,777		72,867
Cost of sales			<u>(53,650)</u>		<u>(53,989)</u>
Gross profit			18,127		18,878
Distribution costs			(10,786)		(11,071)
Administration expenses (including exceptional charges and goodwill amortisation)			<u>(6,171)</u>		<u>(6,947)</u>
Operating profit before goodwill and exceptional items		3,686		4,078	
Exceptional charges	3	(248)		(951)	
Goodwill amortisation		<u>(2,268)</u>		<u>(2,267)</u>	
Operating profit	3		1,170		860
Profit/(loss) on disposal of fixed assets			<u>13</u>		<u>(1)</u>
Profit before interest and tax			1,183		859
Interest receivable and similar income	7		17		22
Interest payable and similar charges	8		(3,455)		(4,601)
Other finance costs	9		<u>(2,014)</u>		<u>(788)</u>
Loss on ordinary activities before taxation			(4,269)		(4,508)
Tax on loss on ordinary activities	10		<u>(34)</u>		<u>15</u>
Loss for the financial period	21		<u><u>(4,303)</u></u>		<u><u>(4,493)</u></u>

All amounts relate to continuing operations

The notes on pages 11 to 34 form part of these financial statements

Interfloor Group Limited

Consolidated Statement of Total Recognised Gains and Losses *for the period ended 2 June 2012*

	52 weeks ended 2 June 2012 £000	53 weeks ended 4 June 2011 £000
Loss for the financial period	(4,303)	(4,493)
Actuarial (loss)/gain recognised in the pension schemes	(1,431)	2,215
Deferred tax attributable to actuarial (loss)/gain	323	(640)
	<hr/>	<hr/>
Total recognised losses relating to the period	<u>(5,411)</u>	<u>(2,918)</u>

The notes on pages 11 to 34 form part of these financial statements

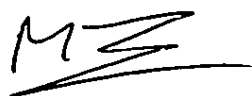
Interfloor Group Limited
Registered number: 05516829

Consolidated Balance Sheet
as at 2 June 2012

	Note	£000	2012 £000	2011 £000
Fixed assets				
Intangible assets	11		30,071	32,339
Tangible assets	12		10,884	11,131
			<u>40,955</u>	<u>43,470</u>
Current assets				
Stocks	14	4,865		5,511
Debtors	15	9,984		9,392
Cash at bank and in hand		4,131		6,950
		<u>18,980</u>		<u>21,853</u>
Creditors:				
amounts falling due within one year	16	(17,024)		(33,834)
Net current assets/(liabilities)			<u>1,956</u>	<u>(11,981)</u>
Total assets less current liabilities			<u>42,911</u>	<u>31,489</u>
Creditors: amounts falling due after more than one year	17		(53,940)	(37,962)
Provisions for liabilities				
Other provisions	19		-	(147)
Net liabilities excluding net pension scheme liabilities			<u>(11,029)</u>	<u>(6,620)</u>
Net pension liability	24		(1,780)	(778)
Net liabilities			<u>(12,809)</u>	<u>(7,398)</u>
Capital and reserves				
Called up share capital	20		1,382	1,382
Share premium account	21		198	198
Profit and loss account	21		(14,389)	(8,978)
Shareholders' deficit	22		<u>(12,809)</u>	<u>(7,398)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21 September 2012

The notes on pages 11 to 34 form part of these financial statements



M Taylor
Director

Interfloor Group Limited
Registered number. 05516829

Company Balance Sheet
as at 2 June 2012

	Note	£000	2012 £000	2011 £000
Fixed assets				
Investments	13		1,180	1,180
Current assets				
Debtors		390	390	
Creditors: amounts falling due within one year	16	(5)	(5)	
Net current assets			385	385
Total assets less current liabilities			1,565	1,565
Capital and reserves				
Called up share capital	20		1,382	1,382
Share premium account	21		198	198
Profit and loss account	21		(15)	(15)
Shareholders' funds	22		1,565	1,565

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21 September 2012

The notes on pages 11 to 34 form part of these financial statements



M Taylor
Director

Interfloor Group Limited

Consolidated Cash Flow Statement for the period ended 2 June 2012

		52 weeks ended 2 June 2012 £000	53 weeks ended 4 June 2011 £000
Net cash flow from operating activities	26	3,523	6,456
Returns on investments and servicing of finance	27	(6,885)	(4,205)
Capital expenditure and financial investment	27	(857)	(195)
Cash (outflow)/inflow before financing		(4,219)	2,056
Financing	27	1,400	(1,919)
(Decrease)/increase in cash in the period		(2,819)	137

Reconciliation of Net Cash Flow to Movement in Net Funds/Debt for the period ended 2 June 2012

		52 weeks ended 2 June 2012 £000	53 weeks ended 4 June 2011 £000
(Decrease)/increase in cash in the period		(2,819)	137
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing		(1,400)	1,919
Change in net debt resulting from cash flows		(4,219)	2,056
Non-cash movements		(1,224)	(576)
Movement in net debt in the period		(5,443)	1,480
Net debt at start of the period		(46,164)	(47,644)
Net debt at end of the period	28	(51,607)	(46,164)

The notes on pages 11 to 34 form part of these financial statements

Interfloor Group Limited

Notes to the Financial Statements *for the period ended 2 June 2012*

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

1.1 Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

1.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 2 June 2012. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included in the Consolidated Profit and Loss Account from the date of acquisition and up to the date of disposal.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own Profit and Loss Account. The parent company was dormant throughout the period.

1.3 Going concern

These financial statements have been prepared on a going concern basis. The Directors have prepared cash flow projections for the period covering the 12 months from the signing date of the financial statements and are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group's forecasts and projections, which take into account reasonably possible changes in trading performance, show that the Group will be able to operate within the level of the current facilities. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

1.4 Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life. It is reviewed for impairment at the end of the first full financial period following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Interfloor Group Limited

Notes to the Financial Statements *for the period ended 2 June 2012*

1 Accounting Policies (continued)

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are shown at original historical cost, less any provision for impairment or subsequent valuation. Assets in the course of construction are included in tangible fixed assets on the basis of expenditure incurred at the Balance Sheet date.

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 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 equipment	-	3 to 15 years
Motor vehicles	-	3 to 4 years

On the disposal of a revalued fixed asset, any remaining revaluation surplus corresponding to the item is transferred to the Profit and Loss Account as a movement on reserves.

1.6 Investments

Fixed asset investments are shown at cost less provision for permanent diminution in value.

1.7 Research and development

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

1.8 Interest bearing borrowings

Immediately after issue debt is stated at the fair value of the consideration received on the issue of the capital instrument after deduction of issue costs. The finance cost of the debt is allocated to periods over the term of the debt at a constant rate on the carrying amount.

1.9 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

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.

Interfloor Group Limited

Notes to the Financial Statements *for the period ended 2 June 2012*

1. Accounting Policies (continued)

1.10 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 on all timing differences where the transactions or events that give the Group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the Balance Sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the Balance Sheet date.

1.11 Pension costs

The Group operates two pension schemes providing benefits based on final pensionable pay. The assets of the schemes are held separately from those of the Group.

Defined benefit pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The surplus (to the extent that they are recoverable) or deficit of the pension schemes are recognised in full. The movement in the surplus/deficit of the schemes are split between operating charges, finance items and in the statement of total recognised gain and losses.

The Group also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in independently administered funds. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

1.12 Classification of financial instruments issued by the Group

Financial instruments issued by the Group 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 (or Group as the case may be) 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 (or Group), 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.

Interfloor Group Limited

Notes to the Financial Statements *for the period ended 2 June 2012*

1 Accounting Policies (continued)

1.13 Foreign currency

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the Balance Sheet date and the gains or losses on translation are included in the Profit and Loss Account.

1.14 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 Group, 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.

Operating lease rentals are charged to the Profit and Loss Account on a straight line basis over the period of the lease.

1.15 Financial guarantees

The Group and Company has not adopted 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.

1.16 Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise cash deposits.

1.17 Turnover

Turnover comprises the value of sales (excluding VAT, similar taxes and trade discounts) or goods and services provided in the normal course of business.

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

Revenue is recognised at the point at which goods are despatched.

Interfloor Group Limited

Notes to the Financial Statements for the period ended 2 June 2012

2. Group Turnover

Geographical analysis of turnover by target market

	52 weeks ended 2 June 2012 £000	53 weeks ended 4 June 2011 £000
United Kingdom and Eire	61,267	62,621
Continental Europe	5,585	5,799
Other	4,925	4,447
	<u>71,777</u>	<u>72,867</u>

3 Operating profit

The operating profit is stated after charging

	52 weeks ended 2 June 2012 £000	53 weeks ended 4 June 2011 £000
Amortisation of goodwill	2,268	2,267
Depreciation of tangible fixed assets		
- owned by the group	1,091	1,136
- held under finance leases	219	214
Operating lease rentals		
- plant and machinery	943	915
- land and buildings	196	239
Exceptional reorganisation expenses	248	951

Within administrative expenses are exceptional reorganisation costs of £248,000 (2011 £951,000) arising from a restructuring of the operations of the Group. This included £Nil (2011 £353,000) relating to the impairment of sponge assets.

Interfloor Group Limited

Notes to the Financial Statements for the period ended 2 June 2012

4 Auditors' remuneration

	52 weeks ended 2 June 2012 £000	53 weeks ended 4 June 2011 £000
Fees payable to the company's auditor for the audit of the company's annual accounts	1	1
Fees payable to the company's auditor and its associates in respect of		
Audit of financial statements of subsidiaries pursuant to legislation	29	42
Other services relating to taxation	3	4
	<u>3</u>	<u>4</u>

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

5. Directors' remuneration

	52 weeks ended 2 June 2012 £000	53 weeks ended 4 June 2011 £000
Emoluments	393	477
	<u>393</u>	<u>477</u>
Company contributions to pension schemes	64	39
	<u>64</u>	<u>39</u>

During the period retirement benefits were accruing to 2 Directors (2011 2) in respect of defined contribution pension schemes

The highest paid Director received remuneration of £222,000 (2011 £297,000)

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £44,000 (2011 £20,000)

Interfloor Group Limited

Notes to the Financial Statements for the period ended 2 June 2012

6 Staff costs

Staff costs, including Directors' remuneration, were as follows

	52 weeks ended 2 June 2012 £000	53 weeks ended 4 June 2011 £000
Wages and salaries	9,664	10,466
Social security costs	997	1,071
Other pension costs (Note 25)	328	372
	<u>10,989</u>	<u>11,909</u>

The average monthly number of employees, including the Directors, during the period was as follows

	52 weeks ended 2 June 2012 Number	53 weeks ended 4 June 2011 Number
Production	244	274
Management	8	9
Other	101	107
	<u>353</u>	<u>390</u>

7. Interest receivable and similar income

	52 weeks ended 2 June 2012 £000	53 weeks ended 4 June 2011 £000
Bank interest	17	22

Interfloor Group Limited

Notes to the Financial Statements for the period ended 2 June 2012

8. Interest payable and similar charges

	52 weeks ended 2 June 2012 £000	53 weeks ended 4 June 2011 £000
On bank loans and overdrafts	1,621	1,292
Loan note interest	1,777	3,230
Finance lease interest	57	79
	<u>3,455</u>	<u>4,601</u>

9 Other finance costs

	52 weeks ended 2 June 2012 £000	53 weeks ended 4 June 2011 £000
Expected return on pension scheme assets	1,224	1,050
Interest on pension scheme liabilities	(1,084)	(1,107)
Amortisation of finance costs	(464)	(472)
Other finance costs	(1,690)	(259)
	<u>(2,014)</u>	<u>(788)</u>

10. Taxation

	52 weeks ended 2 June 2012 £000	53 weeks ended 4 June 2011 £000
Analysis of tax charge/(credit) in the period		
Deferred tax		
Movement in FRS17 deferred tax asset	34	(15)
Tax on loss on ordinary activities	<u>34</u>	<u>(15)</u>

Interfloor Group Limited

Notes to the Financial Statements for the period ended 2 June 2012

10. Taxation (continued)

Factors affecting tax charge for the period

The tax assessed for the period is higher than (2011 - higher than) the standard rate of corporation tax in the UK of 25.67% (2011 - 27.67%). The differences are explained below

	52 weeks ended 2 June 2012 £000	53 weeks ended 4 June 2011 £000
Loss on ordinary activities before tax	(4,269)	(4,508)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 25.67% (2011 - 27.67%)	(1,096)	(1,247)
Effects of:		
Expenses not deductible for tax purposes	892	912
Depreciation in excess of capital allowances	209	331
Short term timing differences	(22)	4
Unrelieved tax losses carried forward	17	-
Current tax charge for the period (see note above)	-	-

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

	52 weeks ended 2 June 2012 £000	53 weeks ended 4 June 2011 £000
Depreciation in excess of capital allowances	978	1,271
Short term timing differences	152	729
Unutilised non-trade tax losses	2,132	2,293
Deferred tax asset not recognised	3,262	4,293

The unutilised non-trade losses have arisen in subsidiary companies and are only available to set against future non-trading income in those companies

There is no present binding agreement to sell the land and buildings held by the Group. No deferred tax in respect of the revaluations has been recognised. If the assets were to be sold at these valuations, a taxable gain may arise.

Interfloor Group Limited

Notes to the Financial Statements *for the period ended 2 June 2012*

11. Intangible fixed assets

	Goodwill
Group	£000
Cost	
At 5 June 2011 and 2 June 2012	<u>45,258</u>
Amortisation	
At 5 June 2011	12,919
Charge for the period	<u>2,268</u>
At 2 June 2012	<u>15,187</u>
Net book value	
At 2 June 2012	<u><u>30,071</u></u>
At 4 June 2011	<u><u>32,339</u></u>

The Directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. Goodwill is being amortised over 20 years which, in the opinion of the Directors, is the period over which the goodwill will be recovered.

Interfloor Group Limited

Notes to the Financial Statements for the period ended 2 June 2012

12. Tangible fixed assets

Group	Freehold land and buildings £000	Plant equipment and vehicles £000	Assets under construction £000	Total £000
Cost				
At 5 June 2011	7,707	23,123	-	30,830
Additions	-	238	850	1,088
Disposals	-	(3,597)	-	(3,597)
At 2 June 2012	7,707	19,764	850	28,321
Depreciation				
At 5 June 2011	3,626	16,073	-	19,699
Charge for the period	175	1,135	-	1,310
On disposals	-	(3,572)	-	(3,572)
At 2 June 2012	3,801	13,636	-	17,437
Net book value				
At 2 June 2012	3,906	6,128	850	10,884
At 4 June 2011	4,081	7,050	-	11,131

Freehold land amounting to £1,825,000 (2011 £1,825,000) has not been depreciated. The net book value of plant equipment and vehicles above includes an amount of £1,373,000 (2011 £1,592,000) in respect of assets held under finance leases and hire purchase contracts.

Interfloor Group Limited

Notes to the Financial Statements for the period ended 2 June 2012

13. Fixed asset investments

Company	Subsidiary under- takings £000
Cost	
At 5 June 2011 and 2 June 2012	1,180

Company name	Class of shares held	Principal activity
Interfloor Operations Limited	Ordinary shares of £1 each	Intermediate holding company
Interfloor Industries Limited *	A Ordinary shares of £1 each B Ordinary shares of £1 each	Intermediate holding company
Interfloor Holdings Limited *	Ordinary shares of £1 each	Intermediate holding company
Duralay International Holdings Limited *	Ordinary shares of £0 10 each A Ordinary shares of \$1 each	Intermediate holding company
Interfloor Limited *	Ordinary shares of \$1 each Deferred shares of 0 25p each	Manufacture of underlay and related products
Stikatak Limited *	Ordinary shares of £1 each	Non-trading
Interfloor Investments Limited *	Ordinary shares of £1 each	Dormant
Presbury Properties Limited *	Ordinary shares of £1 each	Property Investments
Interfloor Trustees Limited *	Ordinary shares of £1 each	Dormant
Tacktrim Limited *	Ordinary shares of £1 each	Dormant

* indirect holding

Interfloor Group Limited

14 Stocks

	Group	
	2012	2011
	£000	£000
Raw materials and consumables	925	1,964
Work in progress	79	62
Finished goods and goods for resale	3,861	3,485
	<u>4,865</u>	<u>5,511</u>

15. Debtors

	Group		Company	
	2012	2011	2012	2011
	£000	£000	£000	£000
Trade debtors	9,133	8,576	-	-
Amounts owed by subsidiary undertakings	-	-	363	363
Other debtors	42	35	27	27
Prepayments and accrued income	809	781	-	-
	<u>9,984</u>	<u>9,392</u>	<u>390</u>	<u>390</u>

16 Creditors: Amounts falling due within one year

	Group		Company	
	2012	2011	2012	2011
	£000	£000	£000	£000
Bank loans and overdrafts (see note 18)	1,415	14,781	-	-
Obligations under finance leases	383	371	-	-
Trade creditors	8,747	9,775	-	-
Other taxes and social security costs	1,009	911	-	-
Other creditors	2,668	6,405	5	5
Accruals and deferred income	2,802	1,591	-	-
	<u>17,024</u>	<u>33,834</u>	<u>5</u>	<u>5</u>

Interfloor Group Limited

Notes to the Financial Statements for the period ended 2 June 2012

17. Creditors: Amounts falling due after more than one year

	Group	
	2012	2011
	£000	£000
Other loans (see note 18)	33,982	28,483
Bank loans (see note 18)	19,527	8,665
Obligations under finance leases	431	814
	<u>53,940</u>	<u>37,962</u>

Obligations under finance leases, included above, are payable as follows

	Group	
	2012	2011
	£000	£000
Between one and five years	<u>431</u>	<u>814</u>

18. Loans

	2012	2011
	£000	£000
The Group's debt can be analysed as falling due:		
In one year or less, or on demand	1,500	15,123
Between one and two years	4,500	8,750
Between two and five years	49,373	28,969
Less unamortised finance costs	(449)	(913)
	<u>54,924</u>	<u>51,929</u>

Interfloor Group Limited

Notes to the Financial Statements for the period ended 2 June 2012

	Bank loans £000	Mezzanine loan £000	Loan notes £000	Total £000
Within one year or less or on demand	1,500	-	-	1,500
Between one and two years	4,500	-	-	4,500
Between two and five years	15,027	5,765	28,581	49,373
Less unamortised finance costs	(85)	(70)	(294)	(449)
Total	<u>20,942</u>	<u>5,695</u>	<u>28,287</u>	<u>54,924</u>

The Bank loans, Mezzanine loan and loan notes are repayable as follows

- the Bank loan is divided into loan A, loan B and loan D. Loan A is repayable in three instalments between May 2013 and May 2014 of between £1,500,000 and £2,750,000. Loan B is repayable in one instalment of £7,500,000 in August 2014. Loan D is repayable in one instalment in August 2014 of £7,527,000. Interest is charged monthly based on LIBOR plus a margin of 5% on loan A and D and 6% on loan B. In addition, Loan D interest is accrued monthly at a rate of 10% per annum which rolls up into capital on a six monthly basis and becomes subject to interest charge. All loans are secured by way of a cross guarantee with certain other group companies as described in Note 23.

- the Mezzanine loan notes are repayable in one instalment in February 2015. Interest is accrued monthly at a rate of 10% per annum which rolls up into capital on a six monthly basis and becomes subject to interest charge. The loan notes are secured by a cross guarantee with certain other group companies as described in Note 23.

- the loan notes are repayable in August 2015 and are unsecured. Interest on £1,524,000 of the balance is accrued monthly at a rate of 10% per annum which rolls up into capital on an annual basis and becomes subject to interest charge. Interest on the remaining loan notes was at 10% per annum up until the 14th October 2011 and has since been at 0% per annum. On the 5th March 2012 the 0% loan notes were re-designated as £5,000,000 of A loan notes and £22,057,000 of B loan notes. On repayment of the loan notes the A and B loan notes are pooled and rank pari passu with the 10% loan notes with the A loan notes ranking ahead of the B loan notes.

19. Provisions

Group	Onerous leases £000
At 5 June 2011	147
Amounts utilised in the period	(147)
At 2 June 2012	<u>-</u>
Onerous leases	

The onerous lease provision as at the prior year end included an element of the Group's decision to exit the warehouse in Dumfries £70,000 and the Durham site £77,000.

Interfloor Group Limited

Notes to the Financial Statements for the period ended 2 June 2012

20. Share capital

	2012 £000	2011 £000
Allotted, called up and fully paid		
400,000 A Ordinary shares of £1 each	400	400
978,030 B Ordinary shares of £1 each	978	978
399,748 C Ordinary shares of £0.01 each	4	4
	<hr/>	<hr/>
	1,382	1,382
	<hr/>	<hr/>

The rights of each class of share are as follows

Return of capital rights

On a return of capital on liquidation, the surplus assets of the Company remaining after the payment of its liabilities shall be applied in the following order of priority

- First in paying the holders of the B Ordinary Shares and C Ordinary Shares the issue price in respect of each fully paid B Ordinary Share and C Ordinary Share held,
- Second in paying to the holders of the A Ordinary Shares the issue price in respect of each paid A Ordinary Share held to the extent that it is paid up,
- Third, in paying to the holders of the B Ordinary Shares and C Ordinary Shares in respect of each B Ordinary Share and C Ordinary Share held, a sum equal to any arrears, deficiency or accruals of any dividend declared but unpaid in respect of the B Ordinary Shares and C Ordinary Shares as at the date of the return of capital,
- Fourth, in paying to the holders of the A Ordinary Shares in respect of each A Ordinary Share held, a sum equal to any arrears, deficiency or accruals of any dividend declared but unpaid in respect of the A Ordinary Shares as at the date of the return of capital, and
- Fifth, in distributing the balance of assets pro rata to the holders of all the shares

Voting rights

Every member holding either more than 50% of the A Ordinary Shares or one or more B Ordinary Shares or C Ordinary Shares shall have one vote and on a poll shall have one vote for each A Ordinary Share, B Ordinary Share or C Ordinary Share held. Any holders with less than 50% of the A Ordinary Shares shall be entitled to receive notice of and to attend and speak at any general meeting of the Company but shall not be entitled to vote on any business at a general meeting, save on any resolution which has the effect of varying the rights and restrictions attached to the B Ordinary Shares and C Ordinary Shares respectively.

Rights to dividends

Any profits which the Directors may lawfully determine to distribute in respect of any financial period shall be distributed amongst the holders of the Shares pro rata according to the number of shares held.

Interfloor Group Limited

Notes to the Financial Statements for the period ended 2 June 2012

21. Reserves

	Share premium account £000	Profit and loss account £000
Group		
At 5 June 2011	198	(8,978)
Loss for the financial period	-	(4,303)
Actuarial loss (net of deferred tax)	-	(1,108)
	<u>198</u>	<u>(14,389)</u>
At 2 June 2012		
	<u>198</u>	<u>(14,389)</u>
	Share premium account £000	Profit and loss account £000
Company		
At 5 June 2011 and 2 June 2012	198	(15)
	<u>198</u>	<u>(15)</u>

22. Reconciliation of movement in shareholders' deficit

	2012 £000	2011 £000
Group		
Opening shareholders' deficit	(7,398)	(4,480)
Loss for the financial period	(4,303)	(4,493)
Actuarial (loss)/gain (net of deferred tax)	(1,108)	1,575
	<u>(12,809)</u>	<u>(7,398)</u>
Closing shareholders' deficit		
	<u>(12,809)</u>	<u>(7,398)</u>
	2012 £000	2011 £000
Company		
Opening shareholders' funds	1,565	1,569
Loss for the financial period	-	(4)
	<u>1,565</u>	<u>1,565</u>
Closing shareholders' funds		
	<u>1,565</u>	<u>1,565</u>

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own Profit and Loss Account. The profit/(loss) for the period dealt with in the accounts of the Company was £Nil (2011 £4,000 loss)

Interfloor Group Limited

Notes to the Financial Statements for the period ended 2 June 2012

23. Guarantees and other financial commitments

The Company has a composite guarantee and debenture with other group companies Interfloor Operations Limited, Interfloor Industries 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 £29,871,000 (2011 £30,855,000) was outstanding under this agreement.

The Group had capital commitments, contracted for but not provided for, at the period end amounting to £925,000 (2011 £148,000).

24. 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 five years. For property leases the lease agreements provide that the Group will pay all insurance, maintenance and repairs of these properties.

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

	Land and buildings		Other	
	2012	2011	2012	2011
Group	£000	£000	£000	£000
Expiry date:				
Within 1 year	-	29	150	64
Between 2 and 5 years	215	215	602	467

Included within annual operating lease commitments expiring within one year is £Nil (2011 £29,000) in respect of property payments that have been fully provided within the onerous lease provision.

Interfloor Group Limited

Notes to the Financial Statements for the period ended 2 June 2012

25 Pension scheme

The Group operates both a defined contribution and a defined benefit pension schemes

Defined contribution pension scheme

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in independently administered funds. The unpaid contributions outstanding at the year end, included in other creditors are £37,000 (2011 £35,000). The charge for the year in relation to the scheme was £328,000 (2011 £372,000).

Defined benefit pension schemes

The Group sponsors the Interfloor Limited Final Salary Scheme ("the Main Scheme") and the Interfloor Limited Executive Scheme ("the Executive Scheme") which are both defined benefit arrangements. The last full actuarial valuations of these schemes were carried out by a qualified independent actuary as at 1 August 2009 and updated on an approximate basis to 2 June 2012.

The contributions made by the employer over the financial year were £Nil (2011 £Nil) in respect of the Main Scheme and £Nil (2011 £Nil) in respect of the Executive Scheme.

Contributions to the Executive and Main Schemes have been made in accordance with the Schedule of Contributions. Contributions are inclusive of premiums for death in service benefits and the expenses associated with running the Schemes. Future contributions are expected to be an annual premium of £621,000 in respect of the Main Scheme and £139,000 contributions payable to the Executive Scheme. These payments are in line with the certified Schedules of Contributions until they are reviewed on completion of the triennial valuations of the schemes as at 1 August 2012.

As both schemes are closed to future accrual there will be no current service cost in future years.

The amounts recognised in the Balance Sheet are as follows

	2012 £000	2011 £000
Present value of funded defined benefit obligations	(19,779)	(20,030)
Fair value of scheme assets	17,436	18,978
Deficit in scheme	(2,343)	(1,052)
Related deferred tax asset	563	274
Net liability	(1,780)	(778)

Interfloor Group Limited

Notes to the Financial Statements for the period ended 2 June 2012

The amounts recognised in the Profit and Loss Account are as follows

	2012	2011
	£000	£000
Interest on pension scheme liabilities	(1,084)	(1,107)
Expected return on pension scheme assets	1,224	1,050
	<u>140</u>	<u>(57)</u>
Other finance income/(costs)		

The total amount of actuarial gains and losses recognised in the Consolidated Statement of Total Recognised Gains and Losses was losses totalling £1,431,000 (2011 £2,215,000 - gains)

	2012	2011
	£000	£000
Actual return on scheme assets	(889)	3,071

Changes in the present value of the defined benefit obligation are as follows

	2012	2011
	£000	£000
At start of the period	20,030	19,778
Interest cost	1,084	1,107
Actuarial gains	(682)	(194)
Benefits paid and expenses	(653)	(661)
	<u>19,779</u>	<u>20,030</u>
At end of the period		

Changes in the fair value of scheme assets are as follows

	2012	2011
	£000	£000
At start of the period	18,978	16,568
Expected return on scheme assets	1,224	1,050
Actuarial gains and losses	(2,113)	2,021
Benefits paid and expenses	(653)	(661)
	<u>17,436</u>	<u>18,978</u>
At the end of the period		

The major categories of scheme assets as a percentage of total scheme assets are as follows

Equities - 72.90% (2011 79.20%)
Corporate bonds - 15.10% (2011 13.90%)
Gilts - 7.80% (2011 5.10%)
Cash/other - 4.20% (2011 1.80%)

Interfloor Group Limited

Notes to the Financial Statements for the period ended 2 June 2012

The expected rates of return on plan assets are determined by reference to relevant indices. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

Principal actuarial assumptions (expressed as weighted averages) at the Balance Sheet date were as follows:

Discount rate - 4.60% (2011: 5.50%)
 Expected return on scheme assets - 6.54% (2011: 7.48%)
 Revaluation rate of deferred pensioners - 1.70% (2011: 2.90%)
 Pension in payment increases - 2.70% (2011: 3.40%)
 Inflation - 2.70% (2011: 3.40%)

The assumptions relating to longevity underlying the pension liabilities at the Balance Sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 20.1 years (male), 22.5 years (female)
- Future retiree (aged 45) upon reaching 65: 21.4 years (male), 23.6 years (female)

Amounts for the current and previous four periods are as follows:

	2012 £000	2011 £000	2010 £000	2009 £000
Present value of funded defined benefit obligations	(19,779)	(20,030)	(19,788)	(18,725)
Fair value of scheme assets	17,436	18,978	16,568	13,286
Deficit	<u>(2,343)</u>	<u>(1,052)</u>	<u>(3,220)</u>	<u>(5,439)</u>

	2012 £000	2011 £000	2010 £000	2009 £000
Experience adjustments on scheme liabilities	<u>(682)</u>	<u>(194)</u>	<u>(979)</u>	<u>2,174</u>

	2012 £000	2011 £000	2010 £000	2009 £000
Experience adjustments on scheme assets	<u>(2,113)</u>	<u>2,021</u>	<u>2,867</u>	<u>(4,261)</u>

Interfloor Group Limited

Notes to the Financial Statements *for the period ended 2 June 2012*

26. Net cash flow from operating activities

	2012	2011
	£000	£000
Operating profit	1,170	860
Amortisation of intangible fixed assets	2,268	2,267
Depreciation of tangible fixed assets	1,310	1,350
Impairments of fixed assets	-	353
Profit on disposal of tangible fixed assets	(77)	(122)
Decrease in stocks	646	1,480
(Increase)/decrease in debtors	(592)	312
(Decrease)/increase in creditors	(1,055)	452
Decrease in provisions	(147)	(496)
Net cash inflow from operating activities	3,523	6,456

27. Analysis of cash flows for headings netted in cash flow statement

	2012	2011
	£000	£000
Returns on investments and servicing of finance		
Interest received	17	22
Interest paid	(6,845)	(4,148)
Hire purchase interest	(57)	(79)
Net cash outflow from returns on investments and servicing of finance	(6,885)	(4,205)
	2012	2011
	£000	£000
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(972)	(432)
Proceeds from sale of tangible fixed assets	115	237
Net cash outflow from capital expenditure	(857)	(195)
	2012	2011
	£000	£000
Financing		
New loans	5,668	2,878
Repayment of loans	(3,136)	(4,365)
New finance leases	-	22
Capital element of finance lease rental payments	(371)	(350)
Finance costs paid in relation to debt	(761)	(104)
Net cash inflow/(outflow) from financing	1,400	(1,919)

Interfloor Group Limited

Notes to the Financial Statements for the period ended 2 June 2012

28. Analysis of changes in net debt

	2011	Cash flow	Other non-cash changes	2012
	£000	£000	£000	£000
Cash at bank and in hand	6,950	(2,819)	-	4,131
Debt:				
Finance leases	(1,185)	371	-	(814)
Debts due within one year	(14,781)	(1,771)	15,137	(1,415)
Debts falling due after more than one year	(37,148)	-	(16,361)	(53,509)
Net debt	(46,164)	(4,219)	(1,224)	(51,607)

29. Financial instruments

Exposure to credit, interest rate and currency risk arises in the normal course of the Group's business

The Group incurs foreign currency risk on sales and purchases that are denominated in currencies other than sterling. The currencies principally giving rise to this risk are Euros and US Dollars.

The Group uses forward exchange contracts to hedge a proportion of its foreign exchange risk.

At 2 June 2012, the fair value of forward contracts as a liability amounted to £59,000 (2011: £115,000).

Interfloor Group Limited

Notes to the Financial Statements *for the period ended 2 June 2012*

30. Related party transactions

During the period ended 2 June 2012, EAC (Scotland) (GP3) Limited transferred loan notes totalling £Nil (2011 £757,070) and associated interest totalling £Nil (2011 £176,959) to Milestone GP Limited

The Group issued loan notes totalling £1,780,786 (2011 £579,747) to EAC (Scotland) (GP3) Limited, £2,683,985 (2011 £873,790) to Milestone GP Limited and £911,864 (2011 £296,863) to Hutton Collins Luxembourg SARL as payment in kind for interest accrued. On the 14th October 2011, the coupon on the loan notes was reset to 0% and no further interest accrued

On 5th March 2012, loan notes totalling £1,656,041, £2,495,972 and £847,987 outstanding to EAC (Scotland) (GP3) Limited, Milestone GP Limited and Hutton Collins Luxembourg SARL respectively were designated as A loan notes and loan notes totalling £7,305,277, £11,010,451 and £3,740,718 outstanding to EAC (Scotland) (GP3) Limited, Milestone GP Limited and Hutton Collins Luxembourg SARL respectively were designated as B loan notes

On 5th March 2012, A loan notes totalling £49,681, £74,879 and £25,440 outstanding to EAC (Scotland) (GP3) Limited, Milestone GP Limited and Hutton Collins Luxembourg SARL were transferred to Management of the Group

At the period end loan notes totalling £8,961,318, £13,506,423, £4,588,705 and £150,000 (2011 £7,180,532, £10,822,438, £3,676,841 and Nil) remained outstanding to EAC (Scotland) (GP3) Limited, Milestone GP Limited, Hutton Collins Luxembourg SARL and Management respectively

The Group also issued Mezzanine loan notes of £Nil (2011 £583,592) as payment for interest accrued to Hutton Collins Luxembourg SARL for Mezzanine loan funding outstanding. Mezzanine loan notes of £5,764,666 (2011 £5,764,666) provided by Hutton Collins Luxembourg SARL remain outstanding at the year end

The Group has accrued interest charges during the year of £297,878, £448,958 and £859,179 (2011 £854,312, £1,183,759 and £1,074,305), payable to EAC (Scotland) (GP3) Limited, Milestone GP Limited and Hutton Collins Luxembourg SARL respectively. At the 2 June 2012 accrued interest of £Nil, £Nil and £1,893,164 (2011 £1,607,449, £2,110,486 and £1,945,625) remained outstanding to EAC (Scotland) (GP3) Limited, Milestone GP Limited and Hutton Collins Luxembourg SARL respectively

31. Controlling party

21.9% 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. 33.1% of the issued share capital is held by Milestone GP Limited on behalf of investors in Milestone Link Fund LP. All of 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.

Copies of the financial statements are available from the registered office Broadway, Haslingden, Rossendale, Lancashire, BB4 4LS