

**Interfloor Group Limited**

**Directors' report and financial  
statements**

Company number 05516829

29 May 2010

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## Directors' report

The Directors present their report and audited financial statements for the period ended 29 May 2010

### 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 demand continued to weaken following the recessionary environment both in the UK and overseas. The prices of key commodity raw materials and energy can have a significant impact on the Group's performance. During the period, the limited availability of specific raw material commodities had an adverse impact on costs, particularly in the second half.

### Business Review

The weak market during the period resulted in sales being down 12.6% on the prior period despite the Group experiencing some limited growth in the final quarter. However, the business benefited from actions taken to reduce the cost base and increase operational effectiveness, including relocating the Stikatak business from Ruislip to Haslingden and Dumfries in the prior period and relocating sponge rubber underlay production from Dumfries to Haslingden in the period. As a result operating profit before exceptional items and goodwill increased by 5% to £5.6m (2009: £5.3m).

The transfer of sponge rubber underlay production to Haslingden contributed to an exceptional charge of £1.5m (2009: £3.5m) of which £1.1m represents the impairment of certain assets in Dumfries which were previously used for this production. The Dumfries site now specialises in the manufacture of polyurethane underlays following the purchase and installation of bespoke equipment in 2008/09. This increased capacity led to the growth in sales of these products during the period.

Since the period end trading conditions have remained challenging.

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

KPI	2010	2009
Operating profit before exceptional items and goodwill as a % of turnover	7.9%	6.5%
Operating profit before exceptional items and goodwill per employee (£000)	13.3	10.5
Distribution costs as a % of turnover	14.5%	16.0%

### Environment

The Regenerative Thermal Oxidisers installed at the Haslingden and Dumfries factories have significantly reduced the emissions from these sites. Additional investment is planned at Haslingden to further reduce any residual environmental impact.

### Proposed dividend

The Directors do not recommend the payment of a dividend (2009: £nil).

## **Directors' report** *(continued)*

### **Directors**

The Directors who held office during the period were as follows

D Oppenheim  
P Reeder  
E Rinner  
M Taylor

### **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 on 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.

### **Political and charitable contributions**

The Group made no political or charitable donations during the period (2009 *nil*)

### **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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **Auditors**

KPMG LLP resigned as auditors during the year and Grant Thornton UK LLP were appointed to fill the casual vacancy. Grant Thornton UK LLP 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.

By order of the board



M Taylor  
Director

Broadway  
Haslingden  
Rossendale  
Lancashire  
BB4 4LS  
10 September 2010

## **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 Group and Parent company 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 Group and Parent Company and of their profit or loss for that period

In preparing each of the Group and Parent Company 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 and the Parent company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent 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 Group and to prevent and detect fraud and other irregularities

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

## **Independent auditors' report to the members of Interfloor Group Limited**

We have audited the financial statements of Interfloor Group Limited for the year ended 29 May 2010 which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the reconciliation of net cash flow to movement in net debt, the group statement of total recognised gains and losses, the reconciliation of movements in shareholders' (deficit)/funds and notes 1 to 29. 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 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 auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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](http://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 Group's and Parent Company's affairs as at 29 May 2010 and of the Group's loss 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 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



Kevin Engel, Senior Statutory Auditor  
For and on behalf of Grant Thornton UK LLP  
Registered Auditor  
Chartered Accountants  
Manchester

10 September 2010

**Consolidated profit and loss account**  
*for the 52 weeks ended 29 May 2010*

Continuing operations	<i>Note</i>	52 weeks ended 29 May 2010 £000	52 weeks ended 30 May 2009 £000
<b>Group Turnover</b>	2	70,713	80,918
Cost of sales		(51,115)	(58,056)
<b>Gross profit</b>		19,598	22,862
Distribution costs		(10,287)	(12,964)
Administrative expenses <i>(including exceptional charges and goodwill amortisation)</i>		(7,533)	(10,323)
<hr/>			
Operating profit before goodwill and exceptional items		5,581	5,296
Exceptional charges	3	(1,535)	(3,453)
Goodwill amortisation		(2,268)	(2,268)
<b>Operating profit/(loss)</b>	3	1,778	(425)
<hr/>			
Profit/(loss) on disposal of fixed assets		16	(2)
<b>Profit/(loss) before interest and tax</b>		1,794	(427)
Interest receivable and similar income	6	33	89
Interest payable and similar charges	7	(4,201)	(4,636)
Other finance costs	8	(779)	(605)
<b>Loss on ordinary activities before taxation</b>		(3,153)	(5,579)
Tax on loss on ordinary activities	9	(8)	20
<b>Retained loss on ordinary activities after taxation and retained for the period</b>		(3,161)	(5,559)



**Consolidated balance sheet**  
*at 29 May 2010*

	<i>Note</i>	<b>2010</b> <b>£000</b>	<b>2010</b> <b>£000</b>	<b>2009</b> <b>£000</b>	<b>2009</b> <b>£000</b>
<b>Fixed assets</b>					
Intangible assets	10		<b>34,606</b>		36,874
Tangible assets	11		<b>12,510</b>		14,451
			<hr/>		<hr/>
			<b>47,116</b>		<b>51,325</b>
<b>Current assets</b>					
Stocks	13	<b>6,992</b>		5,996	
Debtors	14	<b>9,704</b>		10,384	
Cash at bank and in hand		<b>6,813</b>		3,366	
		<hr/>		<hr/>	
<b>Creditors*</b> amounts falling due within one year	15	<b>23,509</b> <b>(21,940)</b>		<b>19,746</b> <b>(17,412)</b>	
		<hr/>		<hr/>	
<b>Net current assets</b>			<b>1,569</b>		<b>2,334</b>
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			<b>48,685</b>		<b>53,659</b>
<b>Creditors</b> amounts falling due after more than one year	16		<b>(50,211)</b>		<b>(51,379)</b>
<b>Provision for liabilities</b>	17		<b>(643)</b>		<b>(1,269)</b>
			<hr/>		<hr/>
<b>Net (liabilities)/assets excluding net pension liability</b>			<b>(2,169)</b>		<b>1,011</b>
<b>Net pension liability</b>	23		<b>(2,311)</b>		<b>(3,916)</b>
			<hr/>		<hr/>
<b>Net liabilities</b>			<b>(4,480)</b>		<b>(2,905)</b>
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Called up share capital	20		<b>1,382</b>		1,382
Share premium account	21		<b>198</b>		198
Profit and loss account	21		<b>(6,060)</b>		<b>(4,485)</b>
			<hr/>		<hr/>
<b>Shareholders' deficit</b>			<b>(4,480)</b>		<b>(2,905)</b>
			<hr/>		<hr/>

These financial statements were approved by the Board of Directors on 10 September 2010 and were signed on its behalf by



**M Taylor**  
*Director*

**Interfloor Group Limited**  
**Company no: 05516829**

**Company balance sheet**  
*at 29 May 2010*

	<i>Note</i>	<b>2010</b> <b>£000</b>	2009 £000
<b>Fixed assets</b>			
Investments	<i>12</i>	1,180	1,180
<b>Current assets</b>			
Debtors	<i>14</i>	394	394
<b>Creditors</b> amounts falling due within one year	<i>15</i>	(5)	(5)
<b>Net current assets</b>		<u>389</u>	<u>389</u>
<b>Total assets less current liabilities</b>		<u>1,569</u>	<u>1,569</u>
<b>Net assets</b>		<u>1,569</u>	<u>1,569</u>
<b>Capital and reserves</b>			
Called up share capital	<i>20</i>	1,382	1,382
Share premium account	<i>21</i>	198	198
Profit and loss account	<i>21</i>	(11)	(11)
<b>Shareholders' funds</b>		<u>1,569</u>	<u>1,569</u>

These financial statements were approved by the Board of Directors on 10 September 2010 and were signed on its behalf by

  
**M Taylor**  
*Director*

**Consolidated cash flow statement**  
*for the 52 weeks ended 29 May 2010*

	<i>Note</i>	<b>52 weeks ended 29 May 2010 £000</b>	<b>52 weeks ended 30 May 2009 £000</b>
Cash flow from operating activities	24	<b>8,370</b>	6,340
Returns on investments and servicing of finance	25	<b>(1,320)</b>	(4,357)
Taxation	25	<b>(82)</b>	(413)
Capital expenditure and financial investment	25	<b>(847)</b>	(2,075)
		<hr/>	<hr/>
Cash inflow/(outflow) before management of liquid resources and financing		<b>6,121</b>	(505)
Financing	25	<b>(2,674)</b>	2,351
		<hr/>	<hr/>
<b>Increase in cash in the period</b>		<b>3,447</b>	1,846
		<hr/>	<hr/>

**Reconciliation of net cash flow to movement in net debt**

<b>Increase in cash in the period</b>	26	<b>3,447</b>	1,846
Cash outflow/(inflow) from increase in debt and lease financing	26	<b>2,674</b>	(2,351)
		<hr/>	<hr/>
Change in net debt resulting from cash flows		<b>6,121</b>	(505)
Non-cash movements	26	<b>(438)</b>	(434)
		<hr/>	<hr/>
<b>Movement in net debt in the period</b>		<b>5,683</b>	(939)
Net debt at start of the period	26	<b>(53,327)</b>	(52,388)
		<hr/>	<hr/>
<b>Net debt at the end of the period</b>	26	<b>(47,644)</b>	(53,327)
		<hr/>	<hr/>

**Group statement of total recognised gains and losses**  
*for the 52 weeks ended 29 May 2010*

	52 weeks ended 29 May 2010 £000	52 weeks ended 30 May 2009 £000
<b>Loss for the financial period</b>	<b>(3,161)</b>	<b>(5,559)</b>
Actuarial gain/(loss) recognised in the pension schemes	2,202	(3,221)
Deferred tax arising on gains/(losses) in the pension schemes	(616)	901
<b>Total recognised losses relating to the financial period</b>	<b>(1,575)</b>	<b>(7,879)</b>

**Reconciliation of movement in shareholders' (deficit)/funds**  
*for the 52 weeks ended 29 May 2010*

	Group		Company	
	52 weeks ended 29 May 2010 £000	52 weeks ended 30 May 2009 £000	52 weeks ended 29 May 2010 £000	52 weeks ended 30 May 2009 £000
(Loss)/profit for the financial period	(3,161)	(5,559)	-	16
Other recognised gains/(losses) relating to the period (net)	1,586	(2,320)	-	-
<b>Net (reduction in)/addition to shareholders' (deficit)/funds</b>	<b>(1,575)</b>	<b>(7,879)</b>	<b>-</b>	<b>16</b>
<b>Shareholders' (deficit)/funds at the start of the period</b>	<b>(2,905)</b>	<b>4,974</b>	<b>1,569</b>	<b>1,553</b>
<b>Shareholders' (deficit)/funds at the end of the period</b>	<b>(4,480)</b>	<b>(2,905)</b>	<b>1,569</b>	<b>1,569</b>

## 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

#### ***Basis of preparation***

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

#### ***Basis of consolidation***

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 29 May 2010. 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 s408 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.

#### ***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 reasonable 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.

#### ***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.

#### ***Tangible fixed assets***

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***

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

#### ***Investments***

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

#### ***Research and development***

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

## Notes (continued)

### 1 Accounting policies (continued)

#### *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.

#### *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.

#### *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.

#### *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.

#### *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:

- 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
- 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)

#### *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.

#### *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.

#### *Financial Guarantees*

The Group and 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 30 May 2010.

#### *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.

#### *Turnover*

Turnover comprises the value of sales (excluding VAT, similar taxes and trade discounts) of 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 and compounds.

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

### 2 Group Turnover

Geographical analysis of turnover by target market

	52 weeks ended 29 May 2010 £000	52 weeks ended 30 May 2009 £000
United Kingdom and Eire	60,569	69,331
Continental Europe	5,841	7,831
Other	4,303	3,756
	<u>70,713</u>	<u>80,918</u>

## Notes (continued)

### 3 Operating profit/(loss)

	52 weeks ended 29 May 2010 £000	52 weeks ended 30 May 2009 £000
<i>Operating profit/(loss) is stated after charging</i>		
Depreciation of owned fixed assets	1,435	1,602
Depreciation of assets held under finance leases	185	25
Amortisation of goodwill	2,268	2,268
Operating lease rentals - land and buildings	245	847
- plant and machinery	885	1,033
Exceptional reorganisation expenses	1,535	3,453
	<u>          </u>	<u>          </u>

#### Exceptional items

Within administrative expenses are exceptional reorganisation costs of £1,535,000 (2009 £3,453,000) arising from a restructuring of the operations of the Group. This included £1,140,000 (2009 £nil) relating to the impairment of sponge assets at the Dumfries site.

#### Auditors' remuneration

	52 weeks ended 29 May 2010 £000	52 weeks ended 30 May 2009 £000
Audit of these financial statements	1	1
Amounts receivable by auditors and their associates in respect of		
Audit of financial statements of subsidiaries pursuant to legislation	42	49
Other services relating to taxation	10	39
	<u>          </u>	<u>          </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.

### 4 Remuneration of Directors

	52 weeks ended 29 May 2010 £000	52 weeks ended 30 May 2009 £000
Directors' emoluments	520	447
Company contributions to pension schemes	39	47
	<u>          </u>	<u>          </u>
	559	494
	<u>          </u>	<u>          </u>

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

	52 weeks ended 29 May 2010 £000	52 weeks ended 30 May 2009 £000
Emoluments	313	244
Company contributions paid to defined contribution scheme	20	20
	<u>          </u>	<u>          </u>

	52 weeks ended 29 May 2010 Number	52 weeks ended 30 May 2009 Number
Retirement benefits are accruing to the following number of directors under Money purchase schemes	2	3
	<u>          </u>	<u>          </u>



**Notes (continued)**

**5 Staff numbers and costs**

The average number of persons employed by the Group (including directors) during the period, analysed by category, was as follows

	<b>52 weeks ended 29 May 2010 Number</b>	<b>52 weeks ended 30 May 2009 Number</b>
Production	<b>297</b>	336
Management	<b>9</b>	9
Other	<b>114</b>	158
	<hr/> <b>420</b> <hr/>	<hr/> 503 <hr/>

The aggregate payroll costs of these persons were as follows

	<b>52 weeks ended 29 May 2010 £000</b>	<b>52 weeks ended 30 May 2009 £000</b>
Wages and salaries	<b>11,202</b>	13,115
Social security costs	<b>1,126</b>	1,287
Other pension costs	<b>448</b>	654
	<hr/> <b>12,776</b> <hr/>	<hr/> 15,056 <hr/>

## Notes (continued)

### 6 Interest receivable and similar income

	52 weeks ended 29 May 2010 £000	52 weeks ended 30 May 2009 £000
Bank Interest	33	89
	<u>33</u>	<u>89</u>

### 7 Interest payable and similar charges

	52 weeks ended 29 May 2010 £000	52 weeks ended 30 May 2009 £000
On bank loans and overdrafts	1,246	2,005
Loan note interest	2,876	2,614
Finance lease interest	79	13
Other	-	4
	<u>4,201</u>	<u>4,636</u>

### 8 Other finance costs

	52 weeks ended 29 May 2010 £000	52 weeks ended 30 May 2009 £000
Expected return on pension scheme assets	(868)	(1,026)
Interest on pension scheme liabilities	1,209	1,197
	<u>341</u>	<u>171</u>
Amortisation of finance costs	438	434
	<u>779</u>	<u>605</u>

## Notes (continued)

### 9 Taxation

#### *Tax on loss on ordinary activities*

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

	52 weeks ended 29 May 2010 £000	52 weeks ended 30 May 2009 £000
<i>Current taxation</i>		
UK corporation tax at 28% (2009 – 28%)	-	(32)
	<hr/>	<hr/>
		(32)
<i>Deferred taxation</i>		
Movement in FRS17 deferred tax (liability)/asset	8	23
Movement on ACA deferred tax liability	-	(11)
	<hr/>	<hr/>
Total deferred tax charge	8	12
	<hr/>	<hr/>
<b>Total tax charge/(credit)</b>	<b>8</b>	<b>(20)</b>
	<hr/>	<hr/>

## Notes (continued)

### 9 Taxation (continued)

#### *Factors affecting the tax charge for the current period*

The current tax charge for the period is lower (2009 lower) than the standard rate of corporation tax in the UK (28%, 2009 28%). The differences are explained below

	52 weeks ended 29 May 2010 £000	52 weeks ended 30 May 2009 £000
<b>Loss on ordinary activities before tax</b>	<b>(3,153)</b>	<b>(5,579)</b>
Tax on loss at 28% (2009 28%)	(883)	(1,562)
Depreciation in excess of/(lower than) capital allowances	(203)	90
Short term timing differences	(14)	833
Expenses not deductible for tax purposes	1,100	643
Difference between accounting profit and chargeable gain	-	(4)
Adjustments in respect of prior periods	-	(32)
Current tax charge/(credit) for the period	-	(32)

#### *Factors that may affect future current and total 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 29 May 2010 £000	52 weeks ended 30 May 2009 £000
Depreciation in excess of capital allowances	862	1,282
Short term timing differences	863	949
Unutilised non-trade tax losses	2,469	2,469
Deferred tax asset not recognised	4,194	4,700

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.

## Notes (continued)

### 10 Intangible fixed assets

Group	Goodwill £000
<i>Cost</i>	
At beginning and end of period	45,258
<i>Amortisation</i>	
At beginning of period	8,384
Charged in period	2,268
At end of period	10,652
<i>Net book value</i>	
At 29 May 2010	34,606
At 30 May 2009	36,874

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.

### 11 Tangible fixed assets

Group	Freehold land and buildings £000	Plant equipment and vehicles £000	Assets in course of construction £000	Total £000
<i>Cost</i>				
At 30 May 2009	7,698	23,384	47	31,129
Additions	8	811	-	819
Transfers	-	47	(47)	-
Disposals	-	(59)	-	(59)
At 29 May 2010	7,706	24,183	-	31,889
<i>Depreciation</i>				
At 30 May 2009	3,274	13,404	-	16,678
Charge for the period	176	1,444	-	1,620
Disposals	-	(59)	-	(59)
Impairment	-	1,140	-	1,140
At 29 May 2010	3,450	15,929	-	19,379
Net book value				
At 29 May 2010	4,256	8,254	-	12,510
At 30 May 2009	4,424	9,980	47	14,451

Freehold land amounting to £1,825,000 (2009 £1,825,000) has not been depreciated. The net book value of plant equipment and vehicles above includes an amount of £1,784,000 (2009 £599,000) in respect of assets held under finance leases and hire purchase contracts.

## Notes (continued)

### 12 Fixed asset investments

Company	Subsidiary undertakings £000
<i>Cost</i>	
At beginning and end of period	1,180

Shares in group undertakings comprise entirely of shares held in subsidiary undertakings

The Company holds 100% of the share capital and voting rights of the following companies, all of which are incorporated in England and Wales

Name of subsidiary undertaking	Class of shares held	Principal activity
<i>Direct subsidiary undertakings</i>		
Interfloor Operations Limited	Ordinary shares £1 each	Intermediate Holding company
<i>Indirect subsidiary undertakings</i>		
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	Intermediate Holding company
Interfloor Limited	A Ordinary shares of £0.10 each Ordinary shares of \$1 each Deferred shares of £0.25 each	Manufacture of carpet underlay
Stikatak Limited	Ordinary shares of £1 each	Non trading company
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

In the opinion of the Directors the investments in and amounts due from the Company's subsidiary undertakings are worth at least the amounts at which they are stated in the balance sheet

### 13 Stocks

	2010 £000	Group 2009 £000
Raw materials and consumables	2,807	2,816
Work-in-progress	116	144
Finished goods and goods for resale	4,069	3,036
	<u>6,992</u>	<u>5,996</u>

## Notes (continued)

### 14 Debtors

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Trade debtors	8,984	8,943	-	-
Amounts owed by subsidiary undertakings	-	-	367	367
Other debtors	13	9	27	27
Prepayments and accrued income	707	1,432	-	-
	<u>9,704</u>	<u>10,384</u>	<u>394</u>	<u>394</u>

### 15 Creditors: amounts falling due within one year

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Bank loans and overdrafts (See note 18)	3,898	5,167	-	-
Obligations under finance leases (See note 19)	348	147	-	-
Trade creditors	9,473	6,705	-	-
Other taxes and social security costs	981	661	-	-
Corporation tax	-	82	-	-
Other creditors	6,012	3,643	5	5
Accruals and deferred income	1,228	1,007	-	-
	<u>21,940</u>	<u>17,412</u>	<u>5</u>	<u>5</u>

### 16 Creditors: amounts falling due after more than one year

	Group		Company	
	2010 £000	2009	2010 £000	2009 £000
Bank loans (See note 18)	23,563	25,575	-	-
Other loans (See note 18)	25,483	25,360	-	-
Obligations under finance lease (See note 19)	1,165	444	-	-
	<u>50,211</u>	<u>51,379</u>	<u>-</u>	<u>-</u>

### 17 Provisions for liabilities and charges

	2010 £000	2009 £000
Provision for onerous leases	<u>643</u>	<u>1,269</u>

## Notes (continued)

### 17 Provisions for liabilities and charges (continued)

#### *Provision for onerous leases*

<b>Group</b>	<b>Onerous leases £000</b>
At beginning of the period	1,269
Amounts utilised in the period	(626)
	<hr/>
At end of the period	<b>643</b>
	<hr/>

The onerous lease provision arose as a result of the Group's decision to exit the Ruislip site and a warehouse in Dumfries. The year end provision relates to the costs of lease commitments in respect of the properties as provided for in the leases.



## Notes (continued)

### 18 Loans

	2010 £000	2009 £000
Debt can be analysed as falling due		
In one year or less, or on demand (classified in creditors < one year)	4,365	5,575
Between one and two years	15,123	4,025
Between two and five years	13,931	21,963
In five years or more	20,911	26,092
	<hr/> 54,330	<hr/> 57,655
Less unamortised finance costs	(1,386)	(1,553)
	<hr/> <b>52,944</b>	<hr/> <b>56,102</b>

	Bank Loans £000	Mezzanine £000	Loan Notes £000	Total £000
Within one year or less or on demand	4,365	-	-	4,365
Between one and two years	15,123	-	-	15,123
Between two and five years	8,750	5,181	-	13,931
In more than five years	-	-	20,911	20,911
	<hr/> 28,238	<hr/> 5,181	<hr/> 20,911	<hr/> 54,330
Less unamortised finance costs	(777)	(134)	(475)	(1,386)
	<hr/> <b>27,461</b>	<hr/> <b>5,047</b>	<hr/> <b>20,436</b>	<hr/> <b>52,944</b>

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

- the Bank loan is divided into loan A, loan B and loan C. Loan A is repayable in five instalments to November 2011 varying between £735,000 and £3,123,000. Loan B is repayable in 2 instalments of £8,750,000 in February and August 2012. Loan C is repayable in one instalment in November 2011. Interest is charged monthly based on LIBOR plus a margin of 3.75% on loan A, 4.25% on loan B and 3.00% on loan C. All three loans are secured by way of a cross guarantee with certain other group companies as described in Note 22.
- the Mezzanine loan notes are repayable in one instalment in August 2014. Interest is accrued monthly at a rate of 10.0% 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 22.
- the loan notes are repayable in August 2015. Interest is accrued monthly at a rate of 10.0% per annum which rolls up into capital on an annual basis and becomes subject to interest charge. These notes are unsecured.

### 19 Obligations under finance leases

	2010 £000	2009 £000
<i>Amounts payable</i>		
Within one year	348	147
In two to five years	1,165	444
	<hr/> <b>1,513</b>	<hr/> <b>591</b>

## Notes (continued)

### 20 Called up share capital

	2010 £000	2009 £000
<i>Authorised, allotted, called up and fully paid</i>		
400,000 A Ordinary shares of £1.00 each	400	400
978,030 B Ordinary shares of £1.00 each	978	978
399,748 C Ordinary shares of £0.01 each	4	4
	<hr/> 1,382	<hr/> 1,382

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,
- Fifth, in distributing the balance of assets pro rata to the holders of all the shares

#### *Voting rights*

Every member holding one or more B Ordinary Shares or C Ordinary Shares shall have one vote and on a poll shall have one vote for each B Ordinary Share or C Ordinary Share held. The holders 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.

## Notes (continued)

### 21 Reserves

	Share capital £000	Share premium £000	Profit and loss account £000	Total £000
<b>Group</b>				
At 30 May 2009	1,382	198	(4,485)	(2,905)
Actuarial gain (net of deferred tax)	-	-	1,586	1,586
Retained loss for the period	-	-	(3,161)	(3,161)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 29 May 2010</b>	<b>1,382</b>	<b>198</b>	<b>(6,060)</b>	<b>(4,480)</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Company</b>				
At 30 May 2009 and 29 May 2010	1,382	198	(11)	1,569
	<hr/>	<hr/>	<hr/>	<hr/>

### 22 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 £34,542,000 (2009 £37,312,000) was outstanding under this agreement.

#### Capital commitments

	2010 £000	2009 £000
<b>Group</b>		
Contracted for but not provided for	95	282
	<hr/>	<hr/>

#### 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. The total rental for the period was £885,000 (2009 £1,033,000). 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:

	2010 Property £000	2010 Plant and machinery £000	2009 Property £000	2009 Plant and machinery £000
<i>Operating leases which expire</i>				
Within one year	299	85	-	250
Within two-five years	165	489	381	484
After five years	-	-	108	-
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>464</b>	<b>574</b>	<b>489</b>	<b>734</b>
	<hr/>	<hr/>	<hr/>	<hr/>

Included within annual operating lease commitments expiring within one year is £299,000 in respect of property payments that have been fully provided within the onerous lease provision.

## Notes (continued)

### 23 Pension scheme

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

#### *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 £44,000 (2009 £46,000). The charge for the year in relation to the scheme was £448,000 (2009 £407,000).

#### *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 2006 and updated on an approximate basis to 29 May 2010.

The contributions made by the employer over the financial year were £368,000 in respect of the Main Scheme and £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 £735,000 in respect of the Main Scheme and no 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 2009.

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

## Notes (continued)

### 23 Pension schemes (continued)

	29 May 2010 £000	30 May 2009 £000
Present value of funded defined benefit obligations	(19,778)	(18,725)
Fair value of plan assets	16,568	13,286
	<hr/>	<hr/>
Deficit in scheme	(3,210)	(5,439)
Related deferred tax asset	899	1,523
	<hr/>	<hr/>
Net liability	(2,311)	(3,916)
	<hr/>	<hr/>
<i>Movements in present value of defined benefit obligation</i>		
	29 May 2010 £000	30 May 2009 £000
At start of period	18,725	19,051
Current service cost	-	247
Interest cost	1,209	1,197
Contributions by scheme participants	-	119
Actuarial losses/(gains)	665	(1,040)
Benefits paid, death in service insurance premiums and expenses	(821)	(849)
	<hr/>	<hr/>
At end of period	19,778	18,725
	<hr/>	<hr/>

## Notes (continued)

### 23 Pension schemes (continued)

#### Movements in fair value of plan assets

	29 May 2010 £000	30 May 2009 £000
At start of period	13,286	16,749
Expected return on plan assets	868	1,026
Actuarial gains/(losses)	2,867	(4,261)
Contributions by employer	368	502
Contributions by members	-	119
Benefits paid, death in service insurance premiums and expenses	(821)	(849)
	<hr/>	<hr/>
At end of period	16,568	13,286
	<hr/>	<hr/>

#### Expense recognised in the profit and loss account

	29 May 2010 £000	30 May 2009 £000
Current service cost	-	247
Interest on defined benefit pension plan obligation	1,209	1,197
Expected return on defined benefit pension plan assets	(868)	(1,026)
	<hr/>	<hr/>
Total	341	418
	<hr/>	<hr/>

#### The expense is recognised in the following line items in the profit and loss account

	29 May 2010 £000	30 May 2009 £000
Administrative expenses	-	247
Other finance costs	341	171
	<hr/>	<hr/>
	341	418
	<hr/>	<hr/>

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial gains and losses is a gain of £2,202,000 (2009 £3,221,000 loss)

## Notes (continued)

### 23 Pension schemes (continued)

The fair value of the plan assets and the return on those assets were as follows

	29 May 2010 Fair value £000	30 May 2009 Fair value £000
Equities	12,643	10,304
Corporate bonds, gilts and cash	3,925	2,982
	<u>16,568</u>	<u>13,286</u>
Actual return on plan assets	<u>3,735</u>	<u>(3,235)</u>

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 year end were as follows

	29 May 2010 %	30 May 2009 %
Discount rate	5.70	6.60
Expected rate of return on plan assets	7.38	7.53
Revaluation rate of deferred pensioners	3.40	3.60
Pension in payment increases	3.40	3.60
Inflation	<u>3.40</u>	<u>3.60</u>

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 years (male), 22 years (female)
- Future retiree (aged 45) upon reaching 65: 21 years (male), 24 years (female)

## Notes (continued)

### 23 Pension schemes (continued)

#### History of plans

The history of the plans for the current and prior periods is as follows

#### Balance sheet

	29 May 2010 £000	30 May 2009 £000	31 May 2008 £000	3 June 2007 £000	31 May 2006 £000
Present value of scheme liabilities	(19,788)	(18,725)	(19,051)	(18,832)	(19,602)
Fair value of scheme assets	16,568	13,286	16,749	18,984	13,945
(Deficit)/surplus	(3,220)	(5,439)	(2,302)	152	(5,657)

#### Experience adjustments

	29 May 2010	30 May 2009	31 May 2008	3 June 2007	31 May 2006
Experience adjustments on scheme liabilities as a percentage of scheme liabilities					
- amount	979	(2,174)	1,460	714	-
- percentage	4.9%	(11.6%)	7.7%	3.8%	nil%
Experience adjustments on scheme assets as a percentage of scheme assets					
- amount	2,867	(4,261)	(4,366)	2,406	1,365
- percentage	17.3%	(32.1%)	(26.1%)	12.7%	9.8%

### 24 Reconciliation of operating profit/(loss) to operating cash flows

	52 weeks ended 29 May 2010 £000	52 weeks ended 30 May 2009 £000
Operating profit/(loss)	1,778	(425)
Depreciation	1,620	1,627
Impairment	1,140	-
Amortisation of goodwill	2,268	2,268
(Increase)/decrease in stocks	(996)	3,703
Decrease in debtors	680	4,191
Increase/(decrease) in creditors	2,874	(6,038)
(Decrease)/increase in provisions	(626)	1,269
Difference between FRS17 pension charge and contributions paid	(368)	(255)
Net cash inflow from operating activities	8,370	6,340



## Notes (continued)

### 25 Analysis of cash flows

	29 May 2010 £000	29 May 2010 £000	30 May 2009 £000	30 May 2009 £000
<b>Returns on investment and servicing of finance</b>				
Interest received	33		89	
Interest paid	(1,274)		(4,433)	
Interest element of finance lease rental payments	(79)		(13)	
		<u>(1,320)</u>		<u>(4,357)</u>
<b>Taxation</b>				
UK tax paid	(82)		(413)	
		<u>(82)</u>		<u>(413)</u>
<b>Capital expenditure and financial investment</b>				
Purchase of tangible fixed assets	(863)		(2,080)	
Proceeds from sale of tangible fixed assets	16		5	
		<u>(847)</u>		<u>(2,075)</u>
<b>Financing</b>				
Debt due in less than one year				
Repayment in short term borrowing	(3,325)		(2,800)	
Debt due after more than one year				
New loans	-		4,627	
Finance costs paid in relation to debt	(271)		(27)	
Finance lease receipt	1,404		592	
Capital element of finance lease rental payments	(482)		(41)	
		<u>(2,674)</u>		<u>2,351</u>

## Notes (continued)

### 26 Analysis of net debt

	At 30 May 2009 £000	Cash flow £000	Non-cash Movements £000	At 29 May 2010 £000
Cash at bank and in hand	3,366	3,447	-	6,813
Debt due within one year	(5,167)	1,269	-	(3,898)
Debt due after one year	(50,935)	2,327	(438)	(49,046)
Finance leases	(591)	(922)	-	(1,513)
	<u>(56,693)</u>	<u>2,674</u>	<u>(438)</u>	<u>(54,457)</u>
	<u>(53,327)</u>	<u>6,121</u>	<u>(438)</u>	<u>(47,644)</u>

### 27 Financial Instruments

Exposure to credit, interest rate and currency risk arises in the normal course of the Group's business. Derivative financial instruments are used to hedge transaction exposures to foreign exchange rates.

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. All of the forward exchange contracts have maturities of less than one year from the balance sheet date.

At 29 May 2010, the fair value of forward contracts as an asset amounted to £148,000 (2009 £ nil).

### 28 Related party transactions

During the period ended 29 May 2010, EAC (Scotland) (GP3) Limited transferred loan notes totalling £9,191,578 and associated interest totalling £1,150,683 to Milestone GP Limited.

The Group issued loan notes totalling £nil (2009 £1,259,375) to EAC (Scotland) (GP3) Limited, £nil (2009 £nil) to Milestone GP Limited and £nil (2009 £257,209) to Hutton Collins Luxembourg SARL as payment in kind for interest accrued. At the period end loan notes totalling £7,357,855, £9,191,578 and £3,379,978 (2009 £16,549,433, £nil and £3,379,978) remained outstanding to EAC (Scotland) (GP3) Limited, Milestone GP Limited and Hutton Collins Luxembourg SARL respectively.

The Group also issued Mezzanine loan notes of £nil (2009 £479,937) as payment for interest accrued to Hutton Collins Luxembourg SARL for Mezzanine loan funding outstanding. Mezzanine loan notes of £5,181,074 provided by Hutton Collins Luxembourg SARL remain outstanding at the year end (2009 £5,181,074).

The Group has accrued interest charges during the year of £1,033,736, £783,186 and £954,672 (2009 £1,679,864, £nil and £871,766), payable to EAC (Scotland) (GP3) Limited, Milestone GP Limited and Hutton Collins Luxembourg SARL respectively. At the 29 May 2010 accrued interest of £1,562,917, £1,933,869 and £1,826,438 (2009 £1,679,864, £nil and £871,766) remained outstanding to EAC (Scotland) (GP3) Limited, Milestone GP Limited and Hutton Collins Luxembourg SARL respectively.

## **29 Ultimate parent undertaking and controlling party**

During the period 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 LLP

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.