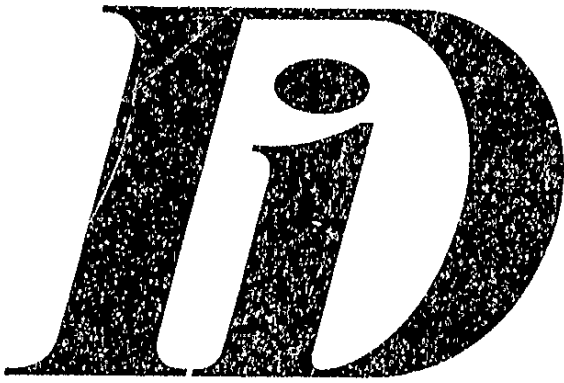


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*DEBRON
INVESTMENTS
PLC*



DEBRON INVESTMENTS PLC

ANNUAL REPORT 1986

NOTICE OF MEETING

DEBRON INVESTMENTS PLC

Notice is hereby given that the fiftyfirst annual general meeting of the Company will be held at the offices of Paisner & Co., Bouverie House, 154 Fleet Street, London, on Wednesday, 22 July 1987 at 12 noon to transact the following business:

- 1 To receive and consider the accounts for the year ended 28 December 1986 and the reports of the directors and of the auditors.
- 2 To resolve that the vacancy on the board arising from the resignation of Mr W.D. Trow be not filled at this meeting.
- 3 To re-elect as a Director Mr D.G. Thomas who retires by rotation.
- 4 To re-elect as a director Mr C.P. Harrison who retires pursuant to Article 117.
- 5 To re-elect as a director Mr L.G. Saulter who retires pursuant to Article 117.
- 6 To re-appoint the auditors and authorise the directors to fix their remuneration

By Order of the Board
John C Pickard
Secretary

Witco House
Barbourne Road
Worcester
26 June 1987

Notes

A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not also be a member.

A form of proxy for use by ordinary shareholders is enclosed. In order to be valid, proxies must be received at the office of the registrar not later than 48 hours before the time appointed for the meeting

DIRECTORS REPORT

DEBRON INVESTMENTS PLC

The directors present their report together with the audited accounts of the Company for the year ended 28 December 1986. The annual general meeting of the Company will be held at the offices of Paisner & Co., Bouverie House, 154 Fleet Street, London, EC4A 2DQ, on Wednesday, 22 July 1987, at 12 noon.

Activities

Following the disposal of its principal operating subsidiary company, Carpets International (U.K.) Limited, in October 1985, the Company has held investments in companies mainly engaged in the manufacture and sale of soft floor coverings. On 17 December 1986, the agreement for purchase of shares in Guilford Industries, Inc., a company incorporated in the USA under the law of the State of Delaware, became unconditional. With effect from that date the Group's principal activities have been the design, manufacture and marketing of specialty fabrics for open plan office furniture systems and office interiors.

Trading results and dividend

The Group trading results are set out on page 5. An interim dividend of 0.5p per share was paid on 10 October 1986. The directors do not recommend the payment of any final dividend in respect of the year ended 28 December 1986.

Reserves

The movements in reserves are shown on page 17 in note 21 to the accounts.

Review of Operations

At the time of the disposal of Carpets International (U.K.) Limited the Company announced its intention to acquire a business or businesses in the furnishing and related industries in Europe, North America or the Far East. This intention was amplified last year when it was stated that the Company sought well managed companies which had established positions in their market segment and which would be capable of finding synergy in their new association with the Debron group and Interface Flooring Systems Inc.

As detailed below, during the year the Company realised certain of its investments in order to provide additional cash for such an acquisition.

During the latter part of the year, Guilford Industries, Inc. was identified as a company which matched the criteria for an acquisition by Debron. Negotiations were successfully completed to buy approximately 40% of the share capital of Guilford from a group of shareholders and substantially all of the remaining shares were purchased under a tender offer which closed on 16 December 1986.

Other Significant changes in investments

On 18 February 1986 the Company sold for £1.28m its holding of 1,250,000 ordinary shares of 25p each of John Crowther Group PLC, acquired at a cost of £0.75m as part of the consideration for the sale of Carpets International (U.K.) Limited.

The Company's holding of 4,937,500 ordinary shares of NZ\$0.50 of Feltex New Zealand Limited was sold on 4 April 1986 for an aggregate consideration of NZ\$17.28m (£6.40m). These shares were acquired in 1985 as consideration for the sale of the Company's investment in Carpet Corporation of Australia Limited and, together with bonus shares and shares taken up under a rights issue since that sale, had a cost to the Group of £3.49m.

In July 1986, the Company's wholly owned subsidiary, Carpets International Hong Kong Limited, sold its investment in Carpets International Thailand Limited for a consideration of £0.24m.

Future Developments

The principal activities of the Group will continue to be those of its new trading subsidiary, Guilford Industries, Inc.

Directors

The directors at the date of this report are as follows:

Ray C Anderson (USA) Chairman
Michael C Devas, MC (non executive)
C Perry Harrison (USA)
Daniel T Hendrix (USA)
Leonard G Saulter (USA)
David G Thomas (non executive)

The directors who held office throughout the year were:

R C Anderson
M C Devas
The Earl of Lindsay
D G Thomas
W D Trow

Mr C I Gable resigned as an 'A' director on 5 December 1986 and Mr D T Hendrix was appointed an 'A' director in his place on 8 December 1986.

The Earl of Lindsay resigned as a director on 1 January 1987. Lord Lindsay has been involved in the carpet industry for many years and served on the Board of this Company from 1964 to 1969. He was re-appointed as a non-executive director in 1983 and has brought to the Company the benefit of his extensive knowledge and experience of the industry world wide.

On completion of the acquisition of Guilford Industries, Inc. on 6 February 1987, Mr C P Harrison and Mr L G Saulter, both residents of the USA, were appointed to the Board. Mr L G Saulter is the president and chief executive officer and a director of Guilford Industries, Inc. He has been with that company since 1979 and has several years of experience in the textile industry. Mr C P Harrison, who is a Certified Public Accountant, is vice president, finance, treasurer and secretary of Guilford Industries, Inc. At the annual general meeting, Mr C P Harrison and Mr L G Saulter will offer themselves for re-election in accordance with Article 117.

Mr W D Trow, the former executive deputy chairman, had a service contract with the Company. This contract expired on 31 May 1987 and Mr W D Trow resigned from the Board on that date. He joined the Company at the time of the formation of the Carpets International Group and was appointed to the Board in 1971. As director of finance he was responsible for maintaining the support of the Company's investors and bankers during the very difficult trading years for the carpet industry in general, and the Carpets International Group in particular, during the late seventies and the early eighties.

The interests, all of which are beneficial, of the directors and their families in the share capital of the Company at 28 December 1986 are shown below with their holdings at 31 December 1985 (or date of appointment to the Board if later) in brackets:-

	<u>Ordinary shares of 50p each</u>	
R C Anderson	50,000	(50,000)
M C Devas	10,000	(2,000)
D T Hendrix	-	(-)
D G Thomas	10,000	(10,000)

The number of ordinary shares of 50p each shown in respect of each director is that appearing in the register maintained under Section 325 of the Companies Act 1985.

Since the year end Mr D T Hendrix acquired 10,000 ordinary shares. All the Directors have accepted the offer for the ordinary shares of the Company referred to below. Consequently the holdings of the present Directors and their families in the share capital of the Company at the date of this report are nil.

The directors do not beneficially own any shares in or debentures of subsidiary companies.

Substantial Shareholdings

On 14 November 1986 Interface Overseas, Inc. exercised its option to subscribe for 7,000,000 'A' ordinary shares at 20p per share, taking its shareholding to 49.99 per cent of the voting share capital. Under that option Interface Overseas, Inc. would have retained the right to subscribe at 20p a share for a further 100,000 'A' ordinary shares, which on exercise would have increased its shareholding to 50.1 per cent. However, by an exchange of letters dated 14 November 1986, Interface Overseas, Inc. waived its right to subscribe for the remaining 100,000 'A' ordinary shares. The Panel on Take-overs and Mergers has waived its requirement that an offer be made under Rule 9 of the City Code on Take-overs and Mergers for the balance of the share capital.

On 4 March 1987 Interface Flooring Systems, Inc. purchased 200,000 ordinary shares at a price of 70p per share bringing the percentage of ordinary shares held by Interface Flooring Systems, Inc. and its subsidiaries to 50.4 percent.

On 10 March 1987 Morgan Grenfell & Co. Limited, on behalf of Interface Overseas, Inc., a wholly owned subsidiary of Interface Flooring Systems, Inc., offered to acquire all the ordinary shares of the Company for 72p per share payable in cash. At 16 June 1987 acceptances had been received in respect of 22,454,025 shares. Interface Flooring Systems, Inc. and its wholly owned subsidiaries therefore now own 23,666,667 'A' ordinary shares representing 100 percent of the 'A' ordinary shares in issue and 22,454,025 shares representing 94.8 percent of the ordinary shares in issue bringing its total holding to 97.4 percent of the voting shares of the Company.

Donations and Political Subscriptions

During the financial year in the United Kingdom the Group made charitable donations of £175 and a contribution of £1,000 to the Midland Industrialists Advisory Council.

Income and Corporation Taxes Act 1970

The close company provisions of the Income and Corporation Taxes Act 1970 do not apply to the Company.

Auditors

The auditors, Binder Hamlyn, retire in accordance with Section 384 of the Companies Act 1985 and a resolution for their re-appointment and authorising the directors to fix their remuneration will be proposed at the annual general meeting.

By Order of the Board
John C Pickard
Secretary



Witco House
Barbourne Road
Worcester


22 June 1987

DEBRON INVESTMENTS PLC		GROUP PROFIT AND LOSS ACCOUNT			YEAR ENDED 28 DECEMBER 1986		
	Note	To 16/12/86 Investment group £m	From 17/12/86 Trading group £m	1986 Total £m	To 14/10/85 Trading group £m	From 14/10/85 Investment group £m	1985 Total £m
TURNOVER	5	-	1.81	1.81	46.20	-	46.20
Cost of sales		-	1.29	1.29	35.32	-	35.32
GROSS PROFIT		-	0.52	0.52	10.88	-	10.88
Distribution costs		-	0.08	0.08	8.11	-	8.11
Administrative expenses		0.30	0.11	0.41	2.48	0.08	2.56
		-0.30	0.33	0.03	0.29	-0.08	0.21
Other operating income		-	-	-	0.11	-	0.11
Share of profit of associated companies		-	-	-	1.27	-	1.27
Dividend income from investments		0.33	0.01	0.34	0.05	0.11	0.16
Interest receivable		1.16	0.03	1.19	0.06	0.14	0.20
PROFIT BEFORE INTEREST PAYABLE		1.19	0.37	1.56	1.78	0.17	1.95
Interest payable:							
Bank loans and overdrafts		-	0.08	0.08	0.78	-	0.78
repayable within five years		-	0.10	0.10	0.22	-	0.22
Other loans		-	-	-	-	-	-
PROFIT ON ORDINARY ACTIVITIES							
BEFORE TAX	6	1.19	0.19	1.38	0.78	0.17	0.95
Tax on profit on ordinary activities	9	0.18	0.12	0.30	0.63	0.02	0.65
PROFIT ON ORDINARY ACTIVITIES							
AFTER TAX		1.01	0.07	1.08	0.15	0.15	0.30
Minority share of net losses		-	-	-	0.10	-	0.10
EARNINGS		1.01	0.07	1.08	0.25	0.15	0.40
Extraordinary items	10	3.00	-	3.00	-13.11	-	-13.11
PROFIT(-LOSS) FOR THE FINANCIAL							
YEAR ATTRIBUTABLE TO SHAREHOLDERS		4.01	0.07	4.08	-12.86	0.15	-12.71
Dividend paid - 0.5p per share		0.20	-	0.20	-	-	-
RETAINED PROFIT FOR THE YEAR		3.81	0.07	3.88	-12.86	0.15	-12.71
		=====	=====	=====	=====	=====	=====
EARNINGS PER SHARE	11	p	p	p	p	p	p
Basic		2.4	0.2	2.6	0.9	0.4	1.3
Fully diluted		2.4	0.2	2.6	1.0	0.4	1.4
		=====	=====	=====	=====	=====	=====

On 17 December 1986 the Company acquired Guilford Industries, Inc. ("Guilford") as its principal trading subsidiary and from that date the Group became a trading Group.

COMPANY		GROUP		
1985			1985	
£m	£m	Note	£m	£m
FIXED ASSETS				
-	-	12	34.73	-
-	-	13	23.41	-
28.29	60.50	13	22.99	26.02
			81.13	26.02
28.29	60.50		=====	=====
=====	=====			
CURRENT ASSETS				
1.29	0.11	15	7.25	-
-	-	16	5.67	0.46
-	-		2.08	-
5.23	14.98		19.20	5.32
			34.20	5.78
6.52	15.09			
CURRENT LIABILITIES				
Creditors amounts falling due within one year:				
-	-		0.33	-
3.67	38.26		31.39	0.66
			2.48	5.12
2.85	-23.17		=====	=====
=====	=====			
NET CURRENT ASSETS				
31.14	37.33		83.61	31.14
CREDITORS				
Amounts falling due after more than one year:				
-	-	18	46.21	-
PROVISIONS				
5.17	0.03	19	0.10	5.17
25.97	37.30		37.30	25.97
=====	=====		=====	=====
CAPITAL AND RESERVES				
13.51	14.21	20	14.21	13.51
7.20	0.69	21	0.69	7.20
16.92	16.27	21	22.19	16.15
-11.66	6.13	21	0.21	-10.89
25.97	37.30		37.30	25.97
=====	=====		=====	=====

Approved by the Board 22 June 1987



.....*R. V. [Signature]*.....Director

.....*[Signature]*.....Director

	Acquisition of Guilford £m	Other £m	1986 Total £m	Disposal of subsidiaries £m	Other £m	1985 Total £m
SOURCE						
Profit on ordinary activities before tax	-	1.38	1.38	-	0.35	0.35
Non-cash items:						
Amortisation of intangible assets	-	0.04	0.04	-	-	-
Depreciation of tangible assets	-	0.08	0.08	-	1.05	1.05
Associated company profits	-	-	-	-	-1.27	-1.27
Other	-	0.02	0.02	0.03	-0.07	-0.04
Associated company dividends	-	-	-	-	0.14	0.14
'A' ordinary shares issued	-	1.39	1.39	-	2.50	2.50
Fixed asset disposals:						
Tangible assets	-	-	-	13.14	0.06	13.20
Investments	-	7.92	7.92	-	0.22	0.22
Decrease(-increase) in working capital:						
Stocks	-7.42	0.17	-7.25	17.97	-1.34	16.63
Debtors	-5.48	0.35	-5.13	13.23	0.42	13.65
Marketable securities	-4.19	2.11	-2.08	-	-	-
Creditors*	28.38	1.78	30.16	-12.12	-0.29	-12.41
Loss on sale of subsidiaries	-	-	-	-12.93	-	-12.93
	11.29	15.24	26.53	19.32	2.37	21.69
APPLICATION						
Tax paid	-	0.11	0.11	-	0.07	0.07
Extraordinary items - monetary	-	-	-	-	0.18	0.18
Dividend paid	-	0.20	0.20	-	-	-
Minority interests	-	-	-	0.49	-	0.49
Fixed asset additions:						
Intangible assets	0.57	-	0.57	-	-	-
Tangible assets	23.28	0.21	23.49	-	0.47	0.47
Investments	0.62	-	0.62	1.64	0.45	2.09
Goodwill on acquisition	34.20	-	34.20	-	-	-
	58.67	0.52	59.19	2.13	1.17	3.30
(-INCREASE)DECREASE IN NET BORROWINGS	-47.38	14.72	-32.66	17.19	1.20	18.39
	=====	=====	=====	=====	=====	=====
REPRESENTING						
(-Increase)decrease in bank borrowings	-0.50	0.17	-0.33	11.01	-2.01	9.00
(-Increase)decrease in loans*	-48.28	2.07	-46.21	1.71	2.52	4.23
Increase in cash at bank and in hand	1.40	12.48	13.88	4.47	0.69	5.16
	-47.38	14.72	-32.66	17.19	1.20	18.39
	=====	=====	=====	=====	=====	=====

*Includes consideration for acquisition of Guilford - creditors £22.13m and loans £43.91m.

1 ACCOUNTING POLICIES

ACCOUNTING BASIS

The accounts are prepared under the historical cost convention except that fixed asset investments are included at valuation as stated below.

CONSOLIDATION

The Group accounts are a consolidation of the Company's accounts and all its subsidiaries. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal.

INTANGIBLE FIXED ASSETS

Goodwill is amortised over forty years or written off against available reserves. Other intangible fixed assets including the cost of designs are written off over their estimated useful economic lives which do not exceed five years.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on a straight line basis on the cost of:

- (a) freehold land and buildings over an anticipated life of twenty five years
- (b) leasehold land and buildings over the terms of the leases
- (c) plant and equipment over an anticipated life of ten years or such shorter periods as may be appropriate for certain assets.

FIXED ASSET INVESTMENTS

Investments are shown in the balance sheet at market value based on quoted share prices where appropriate or directors' valuation.

STOCKS

Stocks are valued at the lower of cost and estimated net realisable value.

CURRENT ASSET INVESTMENTS

Current asset investments are valued at the lower of cost and market value.

DEFERRED TAXATION

Provision is made for the potential liability to corporation tax on chargeable gains which may arise in the foreseeable future.

FOREIGN CURRENCIES

Profits and losses of foreign enterprises and assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Differences arising from variations in exchange rates are transferred to reserves except that realised profits and losses and variations arising on borrowings in foreign currencies are dealt with in the profit and loss account.

2 HOLDING COMPANY ACCOUNTS

In accordance with the Companies Act 1985, the Company has not presented its own profit and loss account.

3 ACQUISITION OF GUILFORD

On 17 December 1986 the agreement for the purchase of shares in Guilford became unconditional and the Company has acquired the entire share capital of Guilford.

Consideration amounting to £66.74m including expenses of the acquisition was financed by bank and other borrowings which have been reduced by £13.62m since the year end from the Company's cash resources. The bank borrowings are secured by way of fixed charges on the common stock of Guilford and on the Company's investment in Interface Flooring Systems, Inc. together with certain guarantees from the Company. Several of the debt instruments contain covenants which, among other things, require certain minimum working capital amounts, restrict other indebtedness and restrict certain payments by Guilford including dividends.

The results of Guilford which have been included within the Group profit and loss account represent twelve days trading of Guilford but may not be representative of future trading as the full impact of financing costs is not included by virtue of the timing of the actual consideration payment.

4 TRANSACTIONS INVOLVING DIRECTORS

On 14 November 1986 Interface Overseas, Inc. ("Interface Overseas"), a wholly owned subsidiary of Interface Flooring Systems, Inc. ("Interface"), exercised its option to subscribe for 7,000,000 'A' ordinary shares of 10p each in the Company at 20p per share and waived its right to subscribe for a further 100,000 'A' ordinary shares of 10p each.

As part of the financing for the acquisition of Guilford referred to above, Interface and Interface Overseas entered into certain loan agreements on commercial terms with the Group.

Mr R C Anderson and Mr D T Hendrix are shareholders in Interface and Mr R C Anderson, Mr W D Trow and the Earl of Lindsay are directors of Interface.

TURNOVER

Turnover analysed by geographical market is as follows:

	£m	1985 £m
United Kingdom	-	40.95
Europe	-	2.10
America	1.31	1.98
Asia	-	0.52
Africa	-	0.05
	-----	-----
	1.31	46.20
	=====	=====

Turnover in America is almost entirely in the United States.

6 PROFIT ON ORDINARY ACTIVITIES BEFORE TAX
is after charging:

	£m	1985 £m
Amortisation of intangible fixed assets	0.04	-
Depreciation of tangible fixed assets	0.08	1.05
Finance lease rentals	-	0.39
Hire of plant and machinery	0.01	-
Auditors' remuneration	0.02	0.05

7 EMPLOYEES

The average number of persons (including directors) employed by the Group during the year was:

	To 16/12/86	From 17/12/86	1985
Production	-	1150	1441
Distribution	-	25	274
Administration	10	329	118
	-----	-----	-----
	10	1504	1833
	=====	=====	=====

At 31 December 1985 the total number of persons (including directors) employed by the Group was 11.

The costs incurred in respect of these employees were:

	To 16/12/86 £m	From 17/12/86 £m	Total 1986 £m	1985 £m
Wages and salaries	0.09	0.62	0.71	14.02
Social security costs	0.01	0.04	0.05	1.03
Other pension costs	0.01	0.02	0.03	0.70
	-----	-----	-----	-----
	0.11	0.68	0.79	15.75
	=====	=====	=====	=====

8 DIRECTORS' REMUNERATION

Directors of the Company:

	£m	1985 £m
Fees	0.02	0.01
Other emoluments (including pension contributions)	0.04	0.08
	-----	-----
	0.06	0.09
	=====	=====

8 DIRECTORS' REMUNERATION continued

Chairman
Highest paid director

1985
£
15700

Other directors of the Company received remuneration (including pension contributions) in the following ranges:

	1985	
Up to £5000	3	4
£5001 to £10000	2	1
£10001 to £15000	-	1

9 TAX ON PROFIT ON ORDINARY ACTIVITIES

	1985 £m	1985 £m
Company and subsidiaries:		
Corporation tax at 36.25% (1985 41.25%)	0.42	0.19
Less double taxation relief	0.17	0.19
	0.25	0.00
	0.14	0.07
Overseas tax	0.03	-
Transfer to deferred taxation	-0.09	-
Advance corporation tax previously written off	-0.03	-0.02
Overprovisions in previous years	-	-
	0.30	0.05
	-	0.60
Associated companies	0.30	0.65

10 EXTRAORDINARY ITEMS

	1985 £m	1985 £m
Income:		
Profit on sale of investments	3.57	-
Profit on sale of properties	-	0.03
	3.57	0.03
Charges:		
Loss on sale of subsidiaries	-	12.93
Loss on sale of investments	-	0.03
Amount written off investment	0.17	-
Provision for guarantees	-	0.13
Redundancy costs	-	0.05
	0.17	13.14
	3.40	-13.11
Profit(-loss) before tax		
Less corporation tax at 30% on net chargeable gains	0.40	-
	3.00	-13.11

11 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share are calculated as earnings of £1.01m up to 16 December 1986 and £0.07m from 17 December 1986 (1985 £0.25m up to 14 October and £0.15m from 14 October) divided by 41.00m and 47.35m respectively (1985 27.08m and 40.35m respectively) being the weighted average of ordinary and 'A' ordinary shares in issue during each period.

Fully diluted earnings per ordinary share are calculated as earnings (adjusted for interest deemed to be earned from investing the proceeds of share issue in 2.5% Consolidated Stock) of £1.14m up to 16 December 1986 and £0.07m from 17 December 1986 (1985 £0.49m up to 14 October and £0.18m from 14 October) divided by 47.44m and 47.35m respectively (1985 47.45m) being the weighted average of ordinary and 'A' ordinary shares allowing for full exercise of all outstanding share options.

12 INTANGIBLE FIXED ASSETS

GROUP	Goodwill £m	Other £m	Total £m
Cost:			
31 December 1985	-	-	-
Acquisition of subsidiary	34.20	1.10	35.30
	-----	-----	-----
28 December 1986	34.20	1.10	35.30
	-----	-----	-----
Amounts written off:			
31 December 1985	-	-	-
Acquisition of subsidiary	-	0.53	0.53
Increase in year	0.03	0.01	0.04
	-----	-----	-----
28 December 1986	0.03	0.54	0.57
	-----	-----	-----
Net:			
28 December 1986	34.17	0.56	34.73
	=====	=====	=====
31 December 1985	-	-	-
	=====	=====	=====

13 TANGIBLE FIXED ASSETS	Land and buildings Freehold	Short leases	Plant and equipment	Assets in course of construction	Total
GROUP	£m	£m	£m	£m	£m
Cost:					
31 December 1985	-	-	-	-	-
Acquisition of subsidiary	9.51	0.64	11.95	1.18	23.28
Additions	-	-	0.05	0.16	0.21
	-----	-----	-----	-----	-----
28 December 1986	9.51	0.64	12.00	1.34	23.49
	-----	-----	-----	-----	-----
Depreciation:					
31 December 1985	-	-	-	-	-
Charge for year	0.02	-	0.06	-	0.08
	-----	-----	-----	-----	-----
28 December 1986	0.02	0.00	0.06	0.00	0.08
	-----	-----	-----	-----	-----
Net:					
28 December 1986	9.49	0.64	11.94	1.34	23.41
	=====	=====	=====	=====	=====
31 December 1985	-	-	-	-	-
	=====	=====	=====	=====	=====

13 TANGIBLE FIXED ASSETS continued
GROUP

Future capital expenditure:

	£m	1985 £m
Contracted for	0.72	-
Authorised but not contracted for	0.24	-
	-----	-----
	1.00	-
	=====	=====

14 FIXED ASSET INVESTMENTS
COMPANY

	Shares in Group companies £m	Loans to Group companies £m	Shares in listed companies £m	Total £m
Cost:				
31 December 1985	5.17	3.19	0.75	9.11
Additions	22.51	-	16.74	39.25
Disposals	-0.45	-	-0.75	-1.20
	-----	-----	-----	-----
28 December 1986	27.23	3.19	16.74	47.16
	-----	-----	-----	-----
Provisions:				
31 December 1985	0.72	2.19	-	2.91
Movement in year	0.02	-	-	0.02
Disposals	-	-	-	-
	-----	-----	-----	-----
28 December 1986	0.74	2.19	0.00	2.93
	-----	-----	-----	-----
Revaluations:				
31 December 1985	21.80	-	0.29	22.09
Movement in year	-11.16	-	5.63	-5.53
Disposals	-	-	-0.29	-0.29
	-----	-----	-----	-----
28 December 1986	10.64	-	5.63	16.27
	-----	-----	-----	-----
Net:				
28 December 1986	37.13	1.00	22.37	60.50
	=====	=====	=====	=====
31 December 1985	26.25	1.00	1.04	28.29
	=====	=====	=====	=====

14 FIXED ASSET INVESTMENTS continued
GROUP

	Shares in listed companies £m	Shares in other companies £m	Other investments £m	Total £m
Cost:				
31 December 1985	4.42	0.61	-	5.03
Acquisition of subsidiary	-	-	0.62	0.62
Disposals	-4.24	-0.11	-	-4.35
	-----	-----	-----	-----
28 December 1986	0.18	0.50	0.62	1.30
	-----	-----	-----	-----
Provisions:				
31 December 1985	-	0.33	-	0.33
Acquisition of subsidiary	-	-	-	-
Movement in year	-	0.17	-	0.17
	-----	-----	-----	-----
28 December 1986	-	0.50	-	0.50
	-----	-----	-----	-----
Revaluations:				
31 December 1985	20.89	0.43	-	21.32
Acquisition of subsidiary	-	-	-	-
Movement in year	3.06	-0.28	-	2.78
Disposals	-1.76	-0.15	-	-1.91
	-----	-----	-----	-----
28 December 1986	22.19	-	-	22.19
	-----	-----	-----	-----
Net:				
28 December 1986	22.37	-	0.62	22.99
	=====	=====	=====	=====
31 December 1985	25.31	0.71	-	26.02
	=====	=====	=====	=====

Other investments represent restricted funds on deposit by way of security pursuant to certain loan agreements.
Details of Group companies and investments are set out on page 19.

15 STOCKS
GROUP

	£m	1985 £m
Raw materials and consumables	2.48	-
Work in progress	3.41	-
Finished goods and goods for resale	1.36	-
	-----	-----
	7.25	-
	=====	=====

The amounts at which stocks are stated do not differ materially from their replacement costs.

16 DEBTORS
COMPANY

	£m	1985 £m
Amounts owed by Group companies	0.01	1.10
Amounts owed by related companies	0.01	-
Other debtors	-	0.16
Prepayments and accrued income	0.09	0.03
	-----	-----
	0.11	1.29
	=====	=====

GROUP

	£m	1985 £m
Trade debtors	4.95	-
Amounts owed by related companies	0.01	-
Other debtors	0.14	0.43
Prepayments and accrued income	0.57	0.03
	-----	-----
	5.67	0.46
	=====	=====

17 CREDITORS amounts falling due within one year
COMPANY

	£m	1985 £m
Amounts owed to Group companies	15.29	3.06
Amounts owed to related companies	22.13	-
Taxation and social security	0.54	0.03
Other creditors	0.14	0.15
Accruals	0.16	0.43
	-----	-----
	38.26	3.67
	=====	=====

GROUP

	£m	1985 £m
Bank loans - secured	0.33	-
	-----	-----
Trade creditors	5.07	-
Amounts owed to related companies	22.15	-
Taxation and social security	1.69	0.03
Other creditors	0.14	0.19
Accruals	2.34	0.44
	-----	-----
	31.39	0.66
	-----	-----
	31.72	0.66
	=====	=====

Amounts owed to related companies represent funds advanced by Interface and Interface Overseas in respect of the acquisition of Guilford. On 30 December 1986 the Company applied £13.62m of its available cash resources in repaying part of these advances.

18 CREDITORS amounts falling due after one year
GROUP

	£m	1985 £m
Bank loans - secured:		
Repayable between one and two years	9.94	-
Repayable between two and five years	19.46	-
Repayable after more than five years	10.81	-
	-----	-----
	46.21	-
	=====	=====

19 DEFERRED TAXATION
COMPANY

	Chargeable gains £m	Timing differences £m	Total £m
31 December 1985	5.17	-	5.17
Charge for year	-	0.03	0.03
Transfer to revaluation reserve	-5.17	-	-5.17
	-----	-----	-----
28 December 1986	-	0.03	0.03
	=====	=====	=====

GROUP

	£m	£m	£m
31 December 1986	5.17	-	5.17
Acquisition of subsidiary	-	0.07	0.07
Charge for year	-	0.03	0.03
Transfer to revaluation reserve	-5.17	-	-5.17
	-----	-----	-----
28 December 1986	-	0.10	0.10
	=====	=====	=====

20 CALLED UP SHARE CAPITAL

	£m	1985 £m
Authorised:		
23,679,407 (1985 23,679,407) ordinary shares of 50p each	11.84	11.84
26,602,965 (1985 26,602,965) 'A' ordinary shares of 10p each	2.66	2.66
	-----	-----
	14.50	14.50
	=====	=====
Allotted and fully paid:		
23,679,407 (1985 23,679,407) ordinary shares of 50p each	11.84	11.84
23,666,667 (1985 16,666,667) 'A' ordinary shares of 10p each	2.37	1.67
	-----	-----
	14.21	13.51
	=====	=====

On 14 November 1986 Interface Overseas exercised its option to subscribe for 7,000,000 'A' ordinary shares in the Company at 20p per share and waived its right to subscribe for a further 100,000 'A' ordinary shares of 10p each. The proceeds were used to increase the cash resources available for the acquisition of Guilford. There are no further outstanding options in respect of any of the Company's share capital. The 'A' ordinary shares and the ordinary shares carry equal voting rights.

21 RESERVES
COMPANY

	Share premium account £m	Reval- uation reserve £m	Profit and loss account £m
31 December 1985	7.20	16.92	-11.50
Losses written off	-7.20	-	7.20
Shares issued net of capital duty	0.69	-	-
Fixed asset investments	-	-5.82	-
Deferred taxation	-	5.17	-
Retained profit for the year	-	-	10.59
	-----	-----	-----
28 December 1986	0.69	16.27	6.13
	=====	=====	=====

GROUP

	Share premium account £m	Reval- uation reserve £m	Profit and loss account £m
31 December 1985	7.20	16.15	-10.89
Exchange movements	-	-	0.02
Losses written off	-7.20	-	7.20
Shares issued	0.69	-	-
Fixed asset investments	-	0.87	-
Deferred taxation	-	5.17	-
Retained profit for the year	-	-	3.88
	-----	-----	-----
28 December 1986	0.69	22.19	0.21
	=====	=====	=====

22 POST BALANCE SHEET EVENTS

On 27 February 1987 Interface Overseas announced its intention to make an offer for the entire share capital of the Company other than the 23,666,667 'A' ordinary shares of 10p each which it already owned. On 4 March 1987, prior to the formal offer document being sent to shareholders, Interface acquired 200,000 ordinary shares of 50p each at a price of 70p per share thereby increasing the percentage of the Company's allotted voting shares owned by Interface and its wholly owned subsidiaries to 50.4%. As a consequence the directors consider that Interface Flooring Systems, Inc., a company incorporated in the USA, is now the ultimate holding company.

23 CONTINGENT LIABILITIES
COMPANY

The Company has guaranteed the bank borrowings of Guilford and charged as security for those borrowings its investments in Guilford and Interface. The maximum potential liability under this guarantee is \$59.50m (£40.52m).

23 CONTINGENT LIABILITIES continued
COMPANY AND GROUP

Following the acquisition of the Company by Interface, the directors do not now intend to dispose of listed investments, stated in the balance sheet at market value. Consequently, it is the directors' opinion that provision for deferred tax in respect of these investments is no longer required and the provision at 31 December 1985 has been released.

If listed investments were sold at the amount stated in the balance sheet, taxation, under current legislation, on the chargeable gain at 30% would amount to £6.28m.

PRINCIPAL GROUP COMPANIES
AND INVESTMENTS

	Country of incorporation and operation	Class of equity issued	Number of shares issued	Percentage class of equity
<u>Group companies</u>				
held by the Company:				
Carpets International Overseas Limited	England	Ordinary	1,000,000	100.0
Debron (USA), Inc.	USA	Common stock	500	100.0
held by subsidiaries:				
Guilford Industries, Inc.	USA	Common stock	5,287,000	100.0
Guilford Corporation	USA	Common stock	1,261	100.0
Guilford Fabrics, Inc.	USA	Common stock	547	100.0
Hydro Projects North, Inc.	USA	Common stock	1	100.0
Deep Dye Processes AG	Switzerland	Ordinary	2,800	100.0
Carpets International - USA Inc	USA	Common stock	100,000	100.0
Southwell Carpets Inc.	Canada	Common shares	100,000	100.0
Carpets International South East Asia Limited	Hong Kong	Ordinary	10,000	100.0
Carpets International Hong Kong Limited	Hong Kong	Ordinary	18,572,500	100.0
<u>Investments</u>				
held by the Company:				
Interface Flooring Systems, Inc.	USA	Class A common stock	5,135,098	35.1
		Class B common stock	1,908,266	-
Carpets International Malaysia Bhd.	Malaysia	Ordinary	4,000,000	28.3
Crossley Karastan Carpet Mills Limited	Canada	Class A common shares	800,000	-
		Class B common shares	800,000	40.0
		Preferred shares	2,000	20.0

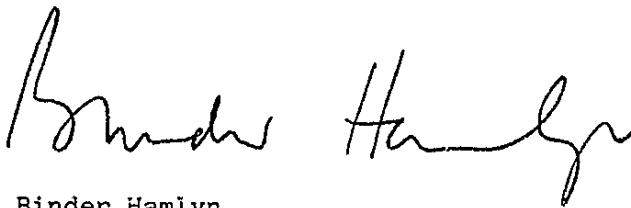
AUDITORS' REPORT

DEBRON INVESTMENTS PLC

To the members of Debron Investments PLC

We have audited the financial statements on pages 5 to 19 in accordance with approved Auditing Standards.

In our opinion, the financial statements, which have been prepared on the basis of the accounting policies set out in note 1, give a true and fair view of the state of affairs of the Company and the Group at 28 December 1986 and of the result and source and application of funds of the Group for the year then ended and comply with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'Binder Hamlyn', is written in a cursive style.

Binder Hamlyn
Chartered Accountants
22 June 1987

DEBRON INVESTMENTS PLC

FIVE YEAR RECORD

	1986	1985	1984	1983	1982
	£m	£m	£m	£m	£m
Net assets	37.30	25.97	30.47	27.80	23.61
Turnover *	1.81	46.20	73.25	81.44	105.04
Profit(-loss) before tax	1.38	0.95	1.42	-0.63	-5.58
Tax	0.30	0.65	0.91	1.27	1.11
Minority interests	-	-0.10	-0.55	-0.02	0.17
Earnings	1.08	0.40	1.06	-1.88	-6.86
Extraordinary items	3.00	-13.11	0.74	3.60	-0.34
Share capital	14.21	13.51	11.84	11.84	11.84
	p	p	p	p	p
Earnings per share	2.6	1.3	4.5	-7.9	-29.0

* 1986 twelve days as trading group; 1985 two hundred and eighty seven days as trading group. All other periods are full years.

ANNUAL GENERAL MEETING 1987

FORM OF PROXY for the use of Ordinary Shareholders only

I/We
of

being (a) holder(s) of Ordinary Shares of 50p each in DEBRON INVESTMENTS PLC
hereby appoint the Chairman of the meeting (see note 3)

.....
.....
as my proxy to vote for me and on my behalf at the Annual General Meeting of
the Company to be held on 22 July 1987 and at any adjournment thereof.

The proxy is to vote on the undermentioned resolutions as indicated.

Signature(s)

Date1987

RESOLUTIONS	For	Against
1 To receive the Accounts and Directors' Report.	<input type="checkbox"/>	<input type="checkbox"/>
2 To resolve that the vacancy on the Board arising from the resignation of Mr W.D. Trow be not filled at this meeting.	<input type="checkbox"/>	<input type="checkbox"/>
3 To re-elect Mr D.G. Thomas as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
4 To re-elect Mr C.P. Harrison as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
5 To re-elect Mr L.G. Saulter as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
6 To re-appoint the auditors and authorise the Directors to fix their remuneration	<input type="checkbox"/>	<input type="checkbox"/>

NOTES

- 1 A proxy may vote only on a poll but also has the right to demand or join in demanding a poll.
- 2 Please indicate by inserting a cross in the appropriate spaces how you wish your votes to be cast on the resolutions. If you give no specific directions on any matter your proxy will vote (or abstain from voting) as he thinks fit.
- 3 If you wish to appoint some other person you should insert his name and address and delete the words 'the Chairman of the meeting'.
- 4 A form of proxy executed by a corporation must be either under seal or under the hand of an officer or attorney duly authorised in writing.
- 5 In the case of joint holders any one may sign. If more than one proxy form is received from the joint holders of a share, votes cast on behalf of the senior (according to the order of their names in the Register) will alone be counted.
- 6 Forms of proxy (and any power of attorney or other authority under which they are signed or an office or notarially certified copy of such power or authority) must be deposited with the Company's Registrar at the address shown overleaf not less than 48 hours before the time for holding the meeting.