

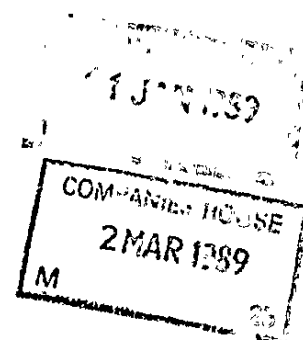
DEBRON INVESTMENTS PLC

ANNUAL ACCOUNTS 3RD JANUARY 1988

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DEBRON INVESTMENTS PLC
REPORT OF THE DIRECTORS

The directors present their report together with the audited accounts of the Company for the year ended 3rd January 1988.

ACTIVITIES

During most of 1987 the Company held investments, mainly in companies whose activities were the design, manufacture and marketing of specialty fabrics for open plan office furniture systems and office interiors. Following the sale, referred to below, of its major trading company, Guilford Industries, Inc. ("Guilford") on 31st December 1987 and purchase on the same date of Interface Flooring Systems Limited ("Interface Ltd"), the Company has held investments in companies engaged in the manufacture and distribution of carpets and carpet tiles.

TRADING RESULTS AND DIVIDEND

The Company's trading results are set out in the profit and loss account. The directors do not recommend the payment of any dividend in respect of the year.

RESERVES

The movements in reserves are shown in note 14 to the accounts.

REVIEW OF OPERATIONS

Following the acquisition by Interface Overseas, Inc. of all the issued ordinary share capital of the Company not already held by Interface, Inc. and its wholly owned subsidiaries as detailed below, substantial reorganisation has taken place.

In order to maximise the commercial benefits of integration between the Interface Group and Guilford, on 31st December 1987 the Company sold its investment in Guilford to Interface Holdings, Inc., a wholly owned subsidiary of Interface operating in the U.S.A. Consideration for the sale was US\$36,500,000 (£19,342,872) which amount has been left on interest bearing inter company loan account repayable on demand. Loss on the sale, which was entirely due to the decline in value of the US dollar, amounted to £3,171,875.

On the same date the Company purchased the whole of the issued ordinary share capital of Interface Ltd from Interface International, Inc. for 100,000 'A' ordinary shares with an aggregate nominal value of £10,000 issued by the Company at par. Interface Ltd is the holding company for the Interface Group's operations in Great Britain and Northern Ireland with sales operations in Europe.

During the latter part of the year the major shareholder of Crossley Karastan Carpet Mills Limited, a Canadian company in which this Company's wholly owned subsidiary, Carpets International Overseas Limited, held a 20% investment, exercised its option to purchase that investment. Consideration, payable in cash, was Can\$110,000 (£45,128). As the investment had been written down to nil the whole of the proceeds represented profit.

FUTURE DEVELOPMENTS

The Company's main trading subsidiaries in the Interface Group are well placed to take advantage of the buoyant contract tile market and to develop their position in the market for specialty fabrics for open plan office furniture systems and office interiors.

DIRECTORS

The directors at the date of this report are:

R. C. Anderson (USA) - chairman
D. T. Hendrix (USA)
H. M. Paisner - non executive
L. G. Saulter (USA)
D. G. Thomas - non executive

The directors who held office throughout the year were:

R. C. Anderson
D. T. Hendrix
D. G. Thomas

The Earl of Lindsay and Messrs W. D. Trow and M. C. Devas resigned as directors on 1st January 1987, 31st May 1987 and 30th June 1987 respectively. Messrs C. P. Harrison and L. G. Saulter, both residents of the U.S.A., were appointed directors on 6th February 1987 and Mr H. M. Paisner was appointed a director on 1st July 1987. Mr C. P. Harrison left the service of the Group during the year and his resignation as a director of the Company was accepted by the Board on 14th September 1987.

DIRECTORS' INTERESTS

The directors do not beneficially own any shares in or debentures of the Company or any of its subsidiaries.

SUBSTANTIAL SHAREHOLDINGS

As reported last year, on 10th March 1987 Morgan Grenfell & Co. Limited, on behalf of Interface Overseas, Inc., a wholly owned subsidiary of Interface, Inc., offered to acquire all the ordinary shares of the Company. The offer was accepted by holders of more than nine tenths of the shares involved and consequently Interface Overseas, Inc. subsequently acquired the whole of the remaining ordinary shares in accordance with section 428 of the Companies Act 1985.

All the 'A' ordinary shares of the Company are owned by Interface Overseas, Inc. and the Company is therefore a wholly owned subsidiary of Interface, Inc.

REGISTERED OFFICE

The registered office of the Company was changed in November 1987 to Shelf Mills, Halifax, West Yorkshire.

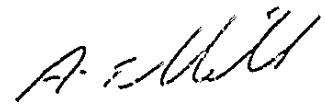
AUDITORS

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.

Shelf Mills
Halifax
West Yorkshire

23rd May 1988

By order of the Board



Secretary

REPORT OF THE AUDITORS TO THE MEMBERS OF

DEBRON INVESTMENTS PLC

We have audited the accounts on pages 5 to 13 in accordance with approved Auditing Standards.

In our opinion, the accounts, 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 the Company's affairs at 3rd January 1988 and of its result and source and application of funds for the year then ended and comply with the Companies Act 1985.

23rd May 1988

Rider Harty
Chartered Accountants

DEBRON INVESTMENTS PLC

PROFIT AND LOSS ACCOUNT for the year ended 3rd January 1988

	Note	£	1986 £
Income from shares in Group companies		55,888	8,481,574
Income from other fixed asset investments		66,462	-
Interest receivable from Group companies		25,298	-
Other interest receivable		69,060	1,170,515
		-----	-----
		216,708	9,652,089
less: Administrative expenses		217,749	253,100
		-----	-----
		-1,041	9,398,989
Exchange gain / -loss		-	-
		-----	-----
		-1,041	9,398,989
less: Interest payable to related company		441,890	-
Other interest payable		3,183	-
		-----	-----
		-446,114	9,398,989
less: Amounts written off investments		-	16,783
		-----	-----
PROFIT / -LOSS ON ORDINARY ACTIVITIES BEFORE TAX	4	-446,114	9,382,206
less: Tax on profit on ordinary activities	7	-29,143	153,811
		-----	-----
PROFIT / -LOSS ON ORDINARY ACTIVITIES AFTER TAX		-416,971	9,228,395
Extraordinary items	8	-3,355,941	1,562,506
		-----	-----
		-3,772,912	10,790,901
less: Dividends		-	201,730
		-----	-----
	14	-3,772,912	10,589,171
		-----	-----

DEBRON INVESTMENTS PLC

BALANCE SHEET at 3rd January 1988

	Note	£	1986 £
FIXED ASSETS			
Investments	9	42,640,796	60,498,246
CURRENT ASSETS			
Debtors	10	20,098,725	110,121
Cash at bank and in hand		-	14,976,520
		20,098,725	15,086,641
CREDITORS			
Amounts falling due within one year	11	22,667,882	38,262,747
NET CURRENT ASSETS		-2,569,157	-23,176,106
TOTAL ASSETS LESS CURRENT LIABILITIES		40,071,639	37,322,140
PROVISIONS			
Deferred taxation	12	-	29,143
NET ASSETS		40,071,639	37,292,997
CAPITAL AND RESERVES			
Called up share capital	13	14,216,370	14,206,370
Share premium account	14	686,000	686,000
Revaluation reserve	14	20,916,741	16,265,043
Profit and loss account	14	4,252,528	6,135,584
CAPITAL EMPLOYED		40,071,639	37,292,997

Approved by the board on 23rd May 1988

.....*Dona T. Henley*.....

..... Directors

A. J. Hill DIRECTOR
K. J. G. J. G. DIRECTOR

DEBRON INVESTMENTS PLC

SOURCE AND APPLICATION OF FUNDS for the year ended 3rd January 1988

	£	1986 £
SOURCE		
Profit / -loss on ordinary activities before tax	-446,114	9,382,206
Non-cash items: Amounts written off investments	-	16,783
Exchange movements	1,889,856	-
Disposal of investments	19,347,273	8,131,341
Decrease / -increase in working capital: Debtors	-19,988,604	1,176,893
Creditors	-15,594,865	34,148,038
'A' ordinary shares issued	10,000	1,386,000
	-14,782,454	54,241,251
APPLICATION		
Additions to investments	10,000	44,219,581
Tax paid / -refunded	-	80,057
Extraordinary items - monetary	184,066	-
Dividends paid	-	201,730
	194,066	44,501,368
INCREASE / -DECREASE IN NET LIQUID FUNDS		
Cash at bank and in hand	-14,976,520	9,739,883

DEPRON INVESTMENTS PLC

NOTES ON ACCOUNTS for the year ended 3rd January 1988

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.

FIXED ASSET INVESTMENTS

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

DEFERRED TAXATION

Provision is made for any 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 short term borrowings and debtors and creditors are dealt with in the profit and loss account.

2. GROUP ACCOUNTS

In accordance with section 229 of the Companies Act 1985, Group accounts have not been prepared because, in the opinion of the directors, the inclusion of each of the Companies' subsidiaries would involve expense or delay out of proportion to the value to members, the Company being a wholly owned subsidiary of Interface Inc., a company incorporated in the USA.

3. TRANSACTIONS INVOLVING DIRECTORS

On 31st December 1987 the Company sold the whole of the issued ordinary share capital of Guilford Industries, Inc., its main trading subsidiary, to Interface Holdings, Inc., a wholly owned subsidiary of Interface, Inc., for the sum of US\$36,500,000 (£19,342,872). The proceeds of this sale have been left on interest bearing inter company loan account repayable on demand. The loss of £3,171,875 on this sale is included as an extraordinary item in the profit and loss account.

On the same date the Company purchased the whole of the issued ordinary share capital of Interface Flooring Systems Limited from Interface International, Inc., also a wholly owned subsidiary of Interface, Inc., for the sum of £10,000. The purchase price was satisfied by the issue of 100,000 'A' ordinary shares of 10p each of the Company at par.

Mr R. C. Anderson and Mr D. T. Hendrix are shareholders in Interface, Inc.

DEBRON INVESTMENTS PLC

NOTES ON ACCOUNTS for the year ended 3rd January 1988

4. PROFIT / -LOSS ON ORDINARY ACTIVITIES		1986
BEFORE TAX	£	£
is after charging:		
Auditors' remuneration	12,975	17,444
5. EMPLOYEES		1986
The average number of employees (including directors) employed by the Company during the year was:		
Administration	9	10
The costs incurred in respect of these employees were:	£	£
Salaries and directors' fees	81,293	111,627
Social security costs	5,698	9,501
Other pension costs	9,186	7,229
	96,177	128,357
6. DIRECTORS' REMUNERATION		1986
	£	£
Fees	12,708	15,000
Other emoluments		
(including pension contributions)	16,277	44,447
	28,985	59,447
		1986
	£	£
Chairman	-	-
Highest paid director	13,179	37,012
Other directors of the Company received remuneration (excluding pension contributions) in the following ranges:		1986
up to £5,000	6	3
£5,001 to £10,000	1	2
7. TAX ON PROFIT ON ORDINARY ACTIVITIES		1986
	£	£
Corporation Tax at 35.00% (1986 - 36.25%)	-	220,279
Transfer to / -from deferred taxation	-29,143	29,143
Advance Corporation Tax previously written off	-	-93,000
Under / -over provisions in previous years	-	-2,611
	-29,143	153,811

DERRON INVESTMENTS PLC

NOTES ON ACCOUNTS for the year ended 3rd January 1988 (continued)

8. EXTRAORDINARY ITEMS

	£	1986 £
Extraordinary income:		
Surplus on disposals of investments	-	1,962,506
less Corporation Tax on chargeable gains	-	400,000
	-	1,562,506
Extraordinary charges:		
Loss on disposal of investments	3,171,875	-
Expenses relating to Interface offer	184,066	-
	-3,355,941	1,562,506

9. FIXED ASSETS INVESTMENTS

	Shares in Group companies £	Loans to Group companies £	Shares in listed companies £	Total £
Cost:				
28th December 1986	27,236,022	3,190,621	16,737,357	47,164,000
Additions	10,000	-	-	10,000
Disposals	-22,519,148	-	-	-22,519,148
3rd January 1988	4,726,874	3,190,621	16,737,357	24,654,852
Provisions:				
28th December 1986	740,176	2,190,621	-	2,930,797
3rd January 1988	740,176	2,190,621	-	2,930,797
Revaluations:				
28th December 1986	10,632,635	-	5,632,408	16,265,043
Increase / -decrease	7,995,996	-	-3,291,864	4,704,132
Disposals	-52,434	-	-	-52,434
3rd January 1988	18,576,197	-	2,340,544	20,916,741
Net:				
3rd January 1988	22,562,895	1,000,000	19,077,901	42,640,796
28th December 1986	37,128,481	1,000,000	22,369,765	60,498,246

	£	1986 £
Analysis of valuation:		
Listed on recognised stock exchanges	19,077,901	22,369,765
Directors' valuation	22,562,895	37,128,481
	41,640,796	59,498,246

DEBRON INVESTMENTS PLC

NOTES ON ACCOUNTS for the year ended 3rd January 1988 (continued)

9. FIXED ASSETS INVESTMENTS (continued)

	Class of equity held	Number of shares issued	Percentage of class of equity held
Group companies - registered in England:			
Interface Flooring Systems Ltd	Ordinary	4,600,000	100
* Interface Flooring Systems (U.K.) Ltd	Ordinary	10,000	100
Carpets International Overseas Ltd	Ordinary	1,000,000	100
Carpets International Group Services Ltd	Ordinary	6	100
Carpets International Nominees Ltd	Ordinary	2,500	100
Gilt Edge Carpets Ltd	Ordinary	3	100
Carpets International Contracts Ltd	Ordinary	100	100
Crossley Carpets Ltd	Ordinary	5	100
Spur Doubling Mill Ltd	Ordinary	96,840	100
Carpets International Pension Trustees Ltd	Ordinary	2	100
Kosset Carpets Ltd	Ordinary	200,000	100
Heritage Carpets Ltd	Ordinary	100	100
John Crossley & Sons Ltd	Ordinary	950,375	100
Steprac Ltd	Ordinary	1,000	100
Guilford Industries Ltd	Ordinary	245,000	100
E. I. B. X. Ltd	Ordinary	100,000	100
Carpets International Exports Ltd	Ordinary	200,000	100
* The Carpet Manufacturing Company Ltd	Ordinary	4,774,482	100
Group companies - incorporated outside England:			
* Interface Flooring Systems (N.I.) Ltd	Northern Ireland Ordinary	300,000	100
* Tuca Carpet Tile Ireland Ltd	Republic of Ireland Ordinary	2	100
* Interface France SARL	France Ordinary	100,000 fcs	100
* Deep Dye Processes AG	Switzerland Ordinary	2,800	100
* Carpets International Hong Kong Ltd	Hong Kong Ordinary	18,572,500	100
* Carpets International - USA Inc	USA Common stock	100,000	100
Related companies - incorporated outside England:			
Interface Inc.	USA Class A common stock	17,071,735	21.1
	Class B common stock	3,616,085	-
Carpets International Malaysia			
* Malaysia Bhd	Ordinary	4,000,000	28.3

Investments marked * are held by subsidiaries. All others are held by the Company.

DLBRON INVESTMENTS PLC

NOTES ON ACCOUNTS for the year ended 3rd January 1988 (continued)

10. DEBTORS	£	1986 £
Amounts falling due within one year:		
Amounts owed by subsidiary companies	660,889	13,388
Amounts owed by other Group companies	19,434,985	10,763
Other debtors	2,851	-
Prepayments and accrued income	-	85,970
	20,098,725	110,121

11. CREDITORS	£	1986 £
Amounts falling due within one year:		
Amounts owed to subsidiary companies	15,348,016	15,285,416
Amounts owed to other Group companies	6,779,462	22,131,427
Taxation and social security	425,344	539,461
Other creditors	4,244	138,752
Accruals	110,816	167,651
	22,667,882	38,262,747

12. DEFERRED TAXATION	Short term timing differences £
28th December 1986	29,143
Release of provision	-29,143
3rd January 1988	-

No provision has been made for Corporation Tax on chargeable gains which would arise if the fixed asset investments were sold at the market values at which they are stated in the balance sheet because it is the directors' opinion that no liability will arise in the foreseeable future.

If listed investments were sold at the amount stated in the balance sheet, taxation, under current taxation proposals, on the chargeable gain at 35% would amount to nil.

13. CALLED UP SHARE CAPITAL	£	1986 £
Authorised:		
23,679,407 (1986 23,679,407) ordinary shares of 50p each	11,839,703	11,839,703
26,602,965 (1986 26,602,965) 'A' ordinary shares of 10p each	2,660,297	2,660,297
	14,500,000	14,500,000

DEBRON INVESTMENTS PLC

NOTES ON ACCOUNTS for the year ended 3rd January 1988 (continued)

13. CALLED UP SHARE CAPITAL (continued)	£	1986 £
Allotted, called up and fully paid:		
23,679,407 (1986 23,679,407) ordinary shares of 50p each	11,839,703	11,839,703
23,766,667 (1986 23,666,667) 'A' ordinary shares of 10p each	2,376,667	2,366,667
	<u>14,216,370</u>	<u>14,206,370</u>

On 31st December 1987 the Company issued 100,000 'A' ordinary shares with an aggregate nominal value of £10,000 at par in exchange for the whole of the issued ordinary share capital of Interface Flooring Systems Limited.

The ordinary and the 'A' ordinary shares each carry equal voting rights.

14. RESERVES	Share premium account £	Revaluation reserve £	Profit and loss account £
28th December 1986	686,000	16,265,043	6,135,584
Fixed asset investments	-	4,651,698	-
Exchange movements	-	-	1,889,856
Loss for the year	-	-	-3,772,912
	<u>686,000</u>	<u>20,916,741</u>	<u>4,252,528</u>
3rd January 1988	686,000	20,916,741	4,252,528

15. ULTIMATE HOLDING COMPANY

Interface, Inc., incorporated in the U.S.A., is regarded by the directors as being the Company's ultimate holding company.