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**COMPANY  
NUMBER: 00309779**

**Interface Europe Ltd**

**Report and Financial Statements**

**Year ended**

**31 December 2006**



**BDO Stoy Hayward  
Chartered Accountants**



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COMPANIES HOUSE

# **Interface Europe Ltd.**

## **Annual report and financial statements for the year ended 31 December 2006**

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### **Directors**

J Hasselman  
D T Hendrix  
R S Willoch  
L K Parnell

### **Secretary and registered office**

S Carlton, Shelf Mills, Halifax, West Yorkshire, HX3 7PA

### **Company number**

00309779

### **Auditors**

BDO Stoy Hayward LLP, 8 Baker Street, London, W1U 3LL

**\*\***

## **Interface Europe Ltd.**

### **Report of the directors for the year ended 31 December 2006**

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The directors present their report together with the audited financial statements for the year ended 31 December 2006

#### **Principal activities and future developments**

The group's principal activity in the year continues to be the manufacture and distribution of interior floor coverings. During the year the Camborne Group has been sold. The activities of this group were mainly focused on the manufacture and distribution of fabrics. This was no longer considered to be a strategic part of the European business. Divestiture of the group will enable us to focus on our modular flooring business within Europe.

#### **Review of the business**

The profit and loss account is set out on page 6 and shows turnover of the year of £105,125,000 and profit for the year of £1,786,000.

Turnover on continuing operations (excluding sales by the Camborne Group) increased by 17.6% with modest growth in all markets selling to external customers and a stronger growth in sales within the Interface group, as tufted product manufactured in the UK has proved popular throughout Europe. Gross profit as a percentage of sales on continuing operations has increased from 24.7% to 28.5% with efficiencies arising from the increased levels of UK production and some assistance in raw material costs with the weakening of the US Dollar. The selling, distribution and administrative expenses have increased by about 20%, mainly for supporting new sales initiatives and the higher level of sales but remain reasonably constant as a percentage of sales. Overall, the continuing business has contributed an additional £3,954,000 to operating profit. The fabrics business contributed £691,000 to operating profit in the year but the disposal resulted in an exceptional loss on sale of £8,060,000.

The group and the company remain committed to achieving the highest levels of sustainability in the industrial world. In pursuing those objectives the company has reduced the proportion of energy that it is using from non-renewable sources from 36% for 2005 to 17% for 2006. The company has also sold under its registered trademark "Cool Carpet" 1,361,000 square metres of product (2005 - 894,000 square metres) where any greenhouse gases emitted during the life cycle of the product are offset or balanced.

The group and company are also committed to providing a safe environment to all its employees. Reported accidents for UK manufacturing sites were 4 in 2006, down from 7 in 2005.

The directors do not recommend the payment of an ordinary dividend for the year ended 31 December 2006 (2005 - Nil).

There have been no events since the balance sheet date which materially effect the position of the company.

**Principal risks and uncertainties**

A significant proportion of the company's business is in the corporate office sector and the performance of this sector remains an important factor in the performance of the company as a whole. The company seeks to manage this risk by continuing the development of other business segments and seeking to convert traditional broadloom customers to modular flooring.

There are significant purchases of raw materials in US Dollars and Euros, exposing the company to currency risks in these areas. However, there are also significant sales markets that are also settled in US Dollars and Euros reducing the company's exposure. This is monitored on a regular basis within the company and co-ordinated treasury management across Europe further reduces the impact of currency exposure.

The main financial risks arising from the group and company's activities are credit risk, interest rate risk and liquidity risk. These are monitored by the board of directors and were not considered to be significant at the balance sheet date.

The company's credit risk is primarily attributable to its trade debtors. Credit risk is managed by running credit checks on new customers and by monitoring payments against contractual agreements.

The group and company's policy in respect of interest rate risk and liquidity risk is to maintain a mixture of long term and short term debt finance and readily accessible bank deposit accounts to ensure the company has sufficient funds for operations. The cash deposits are held in a mixture of short term deposits and current accounts which earn interest at a floating rate. Debt is maintained at fixed interest rates.

**Research and development**

The company continues to invest in research and development. The directors regard investment in this area as a pre-requisite for success in the medium to long term.

**Employees**

It is group policy to offer appropriate employment, training and promotion opportunities to disabled people. Should it become necessary every effort would be made in accordance with this policy to continue the employment of anyone becoming disabled whilst in the service of the group.

Information to employees regarding the group and factors affecting its performance are provided through normal management channels and regular consultation.

**Charitable and political contributions**

During the year the group made charitable contributions of £18,546 (1 January 2006 - £11,920).

**Directors**

The directors of the company during the year were

J Hasselman	
D T Hendrix	
D G Thomas	(Resigned 19 April 2006)
R S Willoch	
L K Parnell	

**Directors' responsibilities**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

**Auditors**

All of the current directors have taken all of the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purpose of their audit, and to establish that the auditors are aware of that information. The directors are not aware of any relevant information of which the auditors are unaware of that information. The directors are not aware of any relevant information of which the auditors are unaware

**By order of the Board**



S Carlton  
Secretary

Date 26 October 2007

## **Interface Europe Ltd.**

### **Report of the independent auditors**

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#### **To the shareholders of Interface Europe Ltd.**

We have audited the group and parent company financial statements (the “financial statements”) of Interface Europe Ltd for the year ended 31 December 2006 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

#### *Respective responsibilities of directors and auditors*

The directors’ responsibilities for the preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors’ responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors’ report is consistent with these financial statements. We also report to you if, in our opinion, the Directors’ Report is not consistent with the financial statements, if the group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors’ remuneration and other transactions is not disclosed. We read the Directors’ Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

#### *Basis of audit opinion*

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group’s circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Interface Europe Ltd.**

**Report of the independent auditors (*Continued*)**

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*Opinion*

In our opinion

- the group financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's affairs as at 31 December 2006 and of its profit for the year then ended,
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December 2006, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985
- the information given in the directors' report is consistent with the financial statements



**BDO STOY HAYWARD LLP**

*Chartered Accountants  
and Registered Auditors  
London*

Date *26 October 2007*

**Interface Europe Ltd.**

**Consolidated profit and loss account for the year ended 31 December 2006**

	Note	Continuing operations Year ended 31 December 2006 £'000	Discontinued operations Year ended 31 December 2006 £'000	Total Year ended 31 December 2006 £'000	Year ended 1 January 2006 £'000
<b>Turnover</b>	2	<b>95,200</b>	<b>9,925</b>	<b>105,125</b>	115,577
<b>Cost of sales</b>		<b>68,038</b>	<b>7,433</b>	<b>75,471</b>	83,783
<b>Gross profit</b>		<b>27,162</b>	<b>2,492</b>	<b>29,654</b>	31,794
Selling and distribution expenses		14,161	1,017	15,178	14,590
Administrative expenses		4,632	784	5,416	10,954
<b>Operating profit</b>		<b>8,369</b>	<b>691</b>	<b>9,060</b>	6,250
Exceptional item –Loss on sale of subsidiary				(8,060)	-
<b>Profit on ordinary activities before interest</b>				<b>1,000</b>	6,250
Interest receivable	4			327	306
Interest payable and similar charges	4			(661)	(1,144)
Other finance expenses	24			(232)	(522)
<b>Profit on ordinary activities before taxation</b>				<b>434</b>	4,890
Taxation on profit from ordinary activities	7			(1,352)	1,898
<b>Profit on ordinary activities after taxation and retained profit for the year</b>	18			<b>1,786</b>	2,992

The notes on pages 11 to 36 form part of these financial statements



**Interface Europe Ltd.****Statement of total recognised gains and losses and reconciliation of movements in shareholders' funds  
for the year ended 31 December 2006**

	Note	Year ended 31 December 2006 £'000	Year ended 1 January 2006 £'000
<b>Statement of total recognised gains and losses</b>			
Profit for the financial year		1,786	2,992
Currency translation differences on foreign currency net investments	18	(44)	(59)
FRS 17 actuarial gains and losses	24	(1,513)	1,251
Deferred tax effect of actuarial gains and losses	16	454	(375)
		<hr/>	<hr/>
Total recognised gains and losses		683	3,809
		<hr/>	<hr/>
<b>Reconciliation of movements in shareholders' funds</b>			
Total recognised gains and losses		683	3,809
Opening shareholders' funds		30,868	27,059
		<hr/>	<hr/>
Closing shareholders' funds		31,551	30,868
		<hr/>	<hr/>

The notes on pages 11 to 36 form part of these financial statements

**Interface Europe Ltd.**

**Consolidated balance sheet at 31 December 2006**

	Note	31 December 2006 £'000	31 December 2006 £'000	1 January 2006 £'000	1 January 2006 £'000
<b>Fixed assets</b>					
Intangible assets	9		4,567		12,262
Tangible assets	10		15,443		21,560
Investments	11		-		175
			20,010		33,997
<b>Current assets</b>					
Stocks	12	8,413		13,070	
Debtors - due within one year	13	25,567		27,457	
- due after more than one year	13	3,425		1,867	
Cash at bank and in hand		3,533		5,310	
		40,938		47,704	
<b>Creditors amounts falling due within one year</b>	14	17,830		36,929	
<b>Net current assets</b>			23,108		10,775
<b>Total assets less current liabilities</b>			43,118		44,772
<b>Creditors amounts falling due after more than one year</b>	15		-		1,742
<b>Provision for liabilities</b>	16		1,025		1,155
<b>Net assets excluding pension liability</b>			42,093		41,875
<b>Pension liability</b>	24		(10,542)		(11,007)
<b>Net assets including pension liability</b>			31,551		30,868
<b>Capital and reserves</b>					
Called up share capital - equity	17		34,166		34,166
Share premium account	18		5,276		5,276
Profit and loss account	18		(7,891)		(8,574)
<b>Shareholders' funds</b>			31,551		30,868

The financial statements were approved and authorised for issue by the Board on 26 October 2007

J Hasselman

Director

The notes on pages 11 to 36 form part of these financial statements

**Interface Europe Ltd.**

**Company balance sheet at 31 December 2006**

	Note	31 December 2006 £'000	31 December 2006 £'000	1 January 2006 £'000	1 January 2006 £'000
<b>Fixed assets</b>					
Tangible assets	10		15,443		16,214
Investments	11		16,513		28,248
			<hr/>		<hr/>
			31,956		44,462
<b>Current assets</b>					
Stocks	12	8,413		7,153	
Debtors - due within one year	13	26,258		25,682	
- due after more than one year	13	3,425		1,198	
Cash at bank and in hand		3,365		2,686	
		<hr/>		<hr/>	
		41,461		36,719	
<b>Creditors amounts falling due within one year</b>	14	23,165		31,759	
		<hr/>		<hr/>	
<b>Net current assets</b>			18,296		4,960
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			50,252		49,422
<b>Creditors amounts falling due after more than one year</b>	15		24,416		24,535
<b>Provision for liabilities</b>	16		1,025		1,155
			<hr/>		<hr/>
<b>Net assets excluding pension liability</b>			24,811		23,732
<b>Pension liability</b>	24		(10,542)		(11,007)
			<hr/>		<hr/>
<b>Net assets including pension liability</b>			14,269		12,725
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Called up share capital	17		34,166		34,166
Share premium account	18		5,276		5,276
Profit and loss account	18		(25,173)		(26,717)
			<hr/>		<hr/>
<b>Shareholders' funds</b>			14,269		12,725
			<hr/>		<hr/>

The financial statements were approved and authorised for issue by the Board on 26 October 2007

J H asselman

**Director**

The notes on pages 11 to 36 form part of these financial statements

**Interface Europe Ltd.****Consolidated cash flow statement for the year ended 31 December 2006**

	Note	Year ended 31 December 2006 £'000	Year ended 1 January 2006 £'000
Net cash out/inflow from operating activities	19	(2,294)	7,530
Returns on investments and servicing of finance	20	(334)	(838)
Taxation		(34)	(39)
Capital expenditure and financial investment	20	(999)	(2,091)
Acquisitions and disposals	27	4,738	-
		<hr/>	<hr/>
Cash inflow before use of liquid resources and financing		1,077	4,562
Financing	20	-	(6,097)
		<hr/>	<hr/>
Increase/ (decrease) in cash	21	1,077	(1,535)
		<hr/>	<hr/>

The notes on pages 11 to 36 form part of these financial statements

## **Interface Europe Ltd.**

### **Notes forming part of the financial statements for the year ended 31 December 2006**

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#### **1 Accounting policies**

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

##### *Basis of consolidation*

The group financial statements consolidate the financial statements of Interface Europe Ltd and all its subsidiary undertakings up to the balance sheet date, using the acquisition method of accounting

No profit and loss account for Interface Europe Ltd has been presented as permitted by Section 230 of the Companies Act 1985

##### *Goodwill*

Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. It is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life. Impairment tests on the carrying value of goodwill are undertaken

- at the end of the first full financial year following acquisition, and
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

The profit or loss on disposal of a business includes any goodwill arising on acquisitions which was previously eliminated directly against reserves under the former group policy

##### *Turnover*

Turnover represents sales to external customers at invoiced amounts less value added tax. Turnover is recognised when the risks and rewards of owning the goods have passed to the customer, which is generally on delivery

##### *Investments*

Investments are stated at cost less provision for permanent diminution in value or at valuation

**1 Accounting policies (*Continued*)**

*Tangible fixed assets and depreciation*

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost less estimated residual value of each asset on a straight line basis over its expected useful life, at the following rates -

Freehold buildings	-	2% - 10%
Plant and machinery	-	8½% - 33⅓%
Fixtures and fittings	-	10% - 50%

*Leased assets*

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased out-right. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balances of capital repayments outstanding. The capital part reduces the amounts payable to the lessor. All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight line basis over the term of the lease.

*Government grants*

Grants are credited to deferred revenue. Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets.

*Research and development*

Expenditure on pure and applied research is charged to the profit and loss account in the year in which it is incurred.

Development costs are also charged to the profit and loss account in the year of expenditure, except when individual projects satisfy the following criteria: the project is clearly defined and related expenditure is separately identifiable, the project is technically feasible and commercially viable, current and future costs will be exceeded by future sales, and adequate resources exist for the project to be completed.

In such circumstances the costs are carried forward and amortised over a period not exceeding five years commencing in the year when the group begins to benefit from the expenditure.

*Intangible assets*

Patents and trademarks are stated at cost less depreciation. Goodwill, patents and trade marks are amortised on a straight line basis for a period not exceeding twenty years which the directors consider to be their useful economic lives.

**1 Accounting policies (*Continued*)**

*Stocks and work in progress*

Stocks are stated at the lower of cost and net realisable value. Cost is arrived at as follows -

- |                                     |   |   |
|-------------------------------------|---|---|
| Raw materials                       | - | purchase cost on a first in, first out basis  |
| Work in progress and finished goods | - | cost of direct materials and labour plus attributable overheads based on a normal level of activity |

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal

*Foreign currency translation*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Exchange differences arising from the retranslation of the opening net investment in overseas subsidiary undertakings at the year end rate are taken directly to reserves. All other differences are taken to the profit and loss account.

*Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief, and
- the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

Deferred tax balances are not discounted.

**1 Accounting policies (*Continued*)**

*Pensions*

The pension costs for defined contribution schemes are the contributions payable in the year

For defined benefit schemes, pensions scheme assets are measured using market values, and 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 pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items, and, in the statement of total recognised gains and losses, actuarial gains and losses

*Onerous leases*

Where the unavoidable costs of a lease exceed the economic benefit expected to be received from it, a provision is made for the present value of the obligations under the lease

*Share-based payment*

Where share options are awarded to employees of the company by the ultimate parent company, the fair value of the options at the date of grant is charged to the income statement over the vesting period and credited to a capital contribution reserve. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods and services received.

Charges by the parent company to Interface Europe Ltd in respect of the share options granted by them are offset against the capital contribution reserve.

The group has adopted FRS 20 'Share based payment' during the year giving rise to the above policy.

FRS 20 'Share based payment' requires the recognition of share-based payments at fair value at the date of grant. Prior to the adoption of FRS 20, the group had not recognised the financial effect of the share based payment made by the parent company to employees of the company.

In accordance with transitional provisions of FRS 20, the standard was applied retrospectively to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2006, and to liabilities for share-based transaction existing at 1 January 2006.

However, the company had been charged by the parent company for its share of the overall US group share based payment charge. As a result there is no effective adjustment to the prior or current year figures arising from the adoption of this policy.



**Interface Europe Ltd.****Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)****2 Turnover, profit and net assets, and corresponding figures**

Turnover is derived from two main classes of business carried out in the UK, that of the manufacture and distribution of interior floor covering and interior fabrics. Turnover, profit and net assets can be analysed as follows

	Year ended 31 December 2006	Year ended 1 January 2006
	£'000	£'000
Turnover		
Interior floor covering	95,200	80,978
Interior fabrics	9,925	34,599
	<u>105,125</u>	<u>115,577</u>
Pre tax profit/ (loss) on ordinary activities		
Interior floor covering	788	3,106
Interior fabrics	(354)	1,784
	<u>434</u>	<u>4,890</u>
Net assets		
Interior floor covering	31,551	24,354
Interior fabrics	-	6,514
	<u>31,551</u>	<u>30,868</u>
Turnover by destination		
Europe, including United Kingdom	95,697	106,414
The Americas	16	427
Asia/Pacific	4,583	5,219
Other	4,829	3,517
	<u>105,125</u>	<u>115,577</u>

Substantially all of the groups turnover, profits and net assets arise from the UK operations

**Interface Europe Ltd.****Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)****Corresponding figures**

The analysis between continuing and discontinued operations for the year ended 1 January 2006 is shown below. Activities discontinued in the year ended 31 December 2006 are shown as part of discontinued activities.

	<b>Continuing</b>	<b>Discontinued in year ending 31 December 2006</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Turnover	80,978	34,599	115,577
Cost of sales	60,953	22,830	83,783
Gross profit	20,025	11,769	31,794
Selling and distribution expense	12,997	1,593	14,590
Administrative expenses	2,613	8,341	10,954
Operating profit	4,415	1,835	6,250

**3 Operating profit is stated after charging/(crediting):**

	<b>Year ended 31 December 2006 £'000</b>	<b>Year ended 1 January 2006 £'000</b>
Research and development expenditure	538	506
Depreciation - owned fixed assets	1,585	2,292
Amortisation - intangible fixed assets	858	1,347
Operating lease rentals - plant and machinery	605	1,391
- other	590	1,004
Fees payable to the company's auditors for the audit of the company's financial statements	98	111
Fees payable to the company's auditors and their associated for other services		
- Audit of the company's subsidiaries	-	52
- Other services pursuant to legislation	65	114
- Tax services	132	91
- Audit of the Interface Europe pension scheme	8	7
- All other services	20	33
(Profit)/loss on sale of fixed assets	185	(98)
Government grants released	(119)	(119)

**Interface Europe Ltd.****Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)****4 Interest**

	<b>Year ended 31 December 2006 £'000</b>	<b>Year ended 1 January 2006 £'000</b>
Interest receivable		
From fellow subsidiary undertakings	<b>259</b>	222
From others	<b>68</b>	84
	<b>327</b>	306
Interest payable and similar charges		
To fellow subsidiary undertakings	<b>443</b>	1,075
To others	<b>218</b>	69
	<b>661</b>	1,144

**5 Employees****Number of employees**

The average weekly number of persons (including directors) employed by the group during the period was

	<b>Year ended 31 December 2006 Number</b>	<b>Year ended 1 January 2006 Number</b>
Direct labour	<b>217</b>	344
Office and supervision	<b>221</b>	281
Management	<b>30</b>	34
	<b>468</b>	659
Employment costs (including directors)	<b>£'000</b>	<b>£'000</b>
Wages and salaries	<b>13,161</b>	18,320
Social security costs	<b>1,399</b>	1,875
Pension and other costs	<b>1,787</b>	1,060
	<b>16,347</b>	21,255

**Interface Europe Ltd.**

**Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)**

**6 Information regarding directors**

**Emoluments**

	<b>Year ended 31 December 2006 £'000</b>	<b>Year ended 1 January 2006 £'000</b>
Directors' emoluments consist of		
Fees and remuneration	465	403
Payments to defined benefit pension scheme	29	32
	<u>494</u>	<u>435</u>

The number of directors in the defined benefit pension scheme was 1 (1 January 2006 - 1)

Emoluments (including pension contributions) of the highest paid director were

	<b>Year ended 31 December 2006 £'000</b>	<b>Year ended 1 January 2006 £'000</b>
Highest paid director	472	373

The highest paid director's accrued pension entitlement was £19,270 (2005 - £16,280) as at 31 December 2006

During the year one director made gains on the exercise of stock options (2005 - 1)

**Interface Europe Ltd.**

**Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)**

**7 Taxation on profit from ordinary activities**

	Year ended 31 December 2006 £'000	Year ended 31 December 2006 £'000	Year ended 1 January 2006 £'000	Year ended 1 January 2006 £'000
<i>Current tax</i>				
UK corporation tax on profits of the year	189		-	
Adjustment in respect of previous years	-		-	
Overseas tax	33		39	
Total current tax		222		39
<i>Deferred tax</i>				
Origination and reversal of timing differences	(1,574)		1,859	
Movement in deferred tax provision (note 16)		(1,574)		1,859
Taxation on profit on ordinary activities		(1,352)		1,898

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	Year ended 31 December 2006 £'000	Year ended 1 January 2006 £'000
Profit on ordinary activities before tax	434	4,890
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2006 – 30%)	130	1,467
Effects of		
Expenses and goodwill amortisation not deductible for tax purposes	81	496
Loss on disposal not deductible for tax purposes	2,418	-
Depreciation for year in excess of capital allowances	(1,076)	553
Adjustment to tax charge in respect of previous years	-	-
Losses for year carried forward	-	-
Short term timing differences	(1,286)	(1,756)
Difference in overseas tax rates	(45)	(40)
Use of losses not previously recognised	-	(681)
Current tax charge for year	222	39

**Interface Europe Ltd.**

**Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)**

**8 Company result for the year**

The profit attributable to the company which has been dealt with in its own accounts is £2,603,000 (1 January 2006 – £3,731,000) The company has taken advantage of the exemption in the Companies Act 1985 not to present its own profit and loss account

**9 Intangible fixed assets**

<b>Group</b>	<b>Intellectual property rights £'000</b>	<b>Patents and Trademarks £'000</b>	<b>Goodwill £'000</b>	<b>Total £'000</b>
<i>Cost</i>				
At 2 January 2006	357	6	30,381	30,744
Disposal	-	-	(16,262)	(16,262)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006	<b>357</b>	<b>6</b>	<b>14,119</b>	<b>14,482</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Amortisation</i>				
At 2 January 2006	357	6	18,119	18,482
Amortisation for the year	-	-	858	858
Disposal	-	-	(9,425)	(9,425)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006	<b>357</b>	<b>6</b>	<b>9,552</b>	<b>9,915</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 December 2006	-	-	4,567	4,567
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 January 2006	-	-	12,262	12,262
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Company</b>				
<i>Cost</i>				
At 2 January 2006 and at 31 December 2006	<b>357</b>	<b>6</b>	<b>2,887</b>	<b>3,250</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Provisions</i>				
At 2 January 2006 and At 31 December 2006	<b>357</b>	<b>6</b>	<b>2,887</b>	<b>3,250</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 December 2006 and At 1 January 2006	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

**Interface Europe Ltd.**

**Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)**

**10 Tangible fixed assets**

<b>Group</b>	<b>Freehold land and buildings £'000</b>	<b>Fixtures, fittings, plant and machinery £'000</b>	<b>Total £'000</b>
<i>Cost</i>			
At 2 January 2006	11,873	36,419	48,292
Additions	40	959	999
Disposals	(128)	(742)	(870)
On sale of subsidiary	(2,594)	(11,905)	(14,499)
At 31 December 2006	<b>9,191</b>	<b>24,731</b>	<b>33,922</b>
<i>Depreciation</i>			
At 2 January 2006	2,571	24,161	26,732
Charge for the year	257	1,328	1,585
Disposals	(32)	(653)	(685)
On sale of subsidiary	(898)	(8,255)	(9,153)
At 31 December 2006	<b>1,898</b>	<b>16,581</b>	<b>18,479</b>
<i>Net book value</i>			
At 31 December 2006	<b>7,293</b>	<b>8,150</b>	<b>15,443</b>
At 1 January 2006	<b>9,302</b>	<b>12,258</b>	<b>21,560</b>

**Interface Europe Ltd.**

Notes forming part of the financial statements for the year ended 31<sup>st</sup> December 2006 (*Continued*)

**10 Tangible fixed assets (*Continued*)**

<b>Company</b>	<b>Freehold land and buildings £'000</b>	<b>Fixtures, fittings, plant and machinery £'000</b>	<b>Total £'000</b>
<i>Cost</i>			
At 2 January 2006	9,719	24,181	33,900
Additions	40	959	999
Disposals	(128)	(742)	(870)
	<hr/>	<hr/>	<hr/>
At 31 December 2006	<b>9,631</b>	<b>24,398</b>	<b>34,029</b>
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 2 January 2006	1,735	15,951	17,686
Charge for the year	257	1,328	1,585
Disposals	(32)	(653)	(685)
	<hr/>	<hr/>	<hr/>
At 31 December 2006	<b>1,960</b>	<b>16,626</b>	<b>18,586</b>
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2006	<b>7,671</b>	<b>7,772</b>	<b>15,443</b>
	<hr/>	<hr/>	<hr/>
At 1 January 2006	<b>7,984</b>	<b>8,230</b>	<b>16,214</b>
	<hr/>	<hr/>	<hr/>

**11 Fixed asset investments - unlisted**

<b>Group</b>	<b>Shares in unlisted company £'000</b>
<i>Cost</i>	
At 2 January 2006	206
On sale of subsidiary	(175)
	<hr/>
As at 31 December 2006	<b>31</b>
	<hr/>
<i>Provisions</i>	
At 2 January 2006 and at 31 December 2006	<b>31</b>
	<hr/>
<i>Net book value</i>	
At 31 December 2006	-
	<hr/>
At 1 January 2006	<b>175</b>
	<hr/>



**Interface Europe Ltd.**

Notes forming part of the financial statements for the year ended 31 December 2006 (*Continued*)

**11 Fixed asset investments - unlisted (*Continued*)**

<b>Company</b>	<b>Share in unlisted company £'000</b>	<b>Shares in subsidiary undertakings £'000</b>	<b>Total £'000</b>
<i>Cost</i>			
At 2 January 2006	31	28,248	28,279
Disposals	-	(11,735)	(11,735)
	<hr/>	<hr/>	<hr/>
As at 31 December 2006	<b>31</b>	<b>16,513</b>	<b>16,544</b>
	<hr/>	<hr/>	<hr/>
<i>Provisions</i>			
At 2 January 2006 and at 31 December 2006	(31)	-	(31)
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2006	-	16,513	16,513
	<hr/>	<hr/>	<hr/>
At 1 January 2006	-	28,248	28,248
	<hr/>	<hr/>	<hr/>

**Subsidiary undertaking**

The following was the principal subsidiary undertaking of the company at the year end and has been included in the consolidated financial statements

<b>Company</b>	<b>Country of registration or incorporation</b>	<b>Nature of business</b>	<b>Shares held class</b>	<b>%</b>
Interface Ireland Limited	Ireland	Distribution of interior floor covering	Ordinary	100

**Interface Europe Ltd.**

**Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)**

**12 Stocks**

	<b>Group 31 December 2006 £'000</b>	<b>Group 1 January 2006 £'000</b>	<b>Company 31 December 2006 £'000</b>	<b>Company 1 January 2006 £'000</b>
Raw materials and consumables	3,280	4,262	3,280	1,985
Work in progress	445	1,512	445	434
Finished goods and goods for resale	4,688	7,296	4,688	4,734
	<u>8,413</u>	<u>13,070</u>	<u>8,413</u>	<u>7,153</u>

**13 Debtors**

	<b>Group 31 December 2006 £'000</b>	<b>Group 1 January 2006 £'000</b>	<b>Company 31 December 2006 £'000</b>	<b>Company 1 January 2006 £'000</b>
<i>Amounts due within one year</i>				
Trade debtors	14,666	14,942	13,798	8,479
Amounts owed by subsidiary undertakings	-	-	1,592	4,394
Amounts owed by parent undertaking and fellow subsidiary undertakings	8,957	10,650	8,957	10,650
Other debtors	69	73	67	72
Corporation tax	-	-	-	647
Prepayments and accrued income	1,875	1,792	1,844	1,440
	<u>25,567</u>	<u>27,457</u>	<u>26,258</u>	<u>25,682</u>
<i>Amounts due after more than one year</i>				
Deferred tax (see note 16)	3,425	1,867	3,425	1,198
	<u>28,992</u>	<u>29,324</u>	<u>29,683</u>	<u>26,880</u>

**Interface Europe Ltd.**

Notes forming part of the financial statements for the year ended 31 December 2006 (*Continued*)

**14 Creditors: amounts falling due within one year**

	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>31 December</b>	<b>1 January</b>	<b>31 December</b>	<b>1 January</b>
	<b>2006</b>	<b>2006</b>	<b>2006</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bank overdrafts	-	2,854	-	2,030
Trade creditors	4,074	5,315	4,073	3,392
Amounts owed to parent undertaking and fellow subsidiary undertakings	7,449	21,539	7,423	15,656
Amounts owed to subsidiary undertakings	-	-	5,663	5,164
Other taxes and social security costs	1,229	2,137	1,063	1,530
Corporation tax	190	9	189	-
Accruals and deferred income	4,888	5,075	4,754	3,987
	<u>17,830</u>	<u>36,929</u>	<u>23,165</u>	<u>31,759</u>

Bank overdraft and loans bear interest at commercial margins above LIBOR

**15 Creditors: amounts falling due after more than one year**

	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>31 December</b>	<b>1 January</b>	<b>31 December</b>	<b>1 January</b>
	<b>2006</b>	<b>2006</b>	<b>2006</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Amounts owed to fellow subsidiaries	-	1,623	-	-
Amounts owed to subsidiary undertakings	-	-	24,416	24,416
Accruals and deferred income	-	119	-	119
	<u>-</u>	<u>1,742</u>	<u>24,416</u>	<u>24,535</u>

Amounts owed to subsidiary undertakings have no fixed repayment date and bear no interest

**16 Provisions for liabilities and charges**

<b>Group</b>	<b>£'000</b>
<i>(a) Deferred tax</i>	
At 2 January 2006	6,584
Transfer to profit and loss account	1,574
Transfer to statement of recognised gains and losses	454
On disposal of subsidiary	(669)
	<hr/>
Balance at 31 December 2006	<b>7,943</b>
	<hr/>

	<b>31 December 2006 £'000</b>	<b>1 January 2006 £'000</b>
Recognised as		
Deferred tax asset (note 13)	3,425	1,867
Netted off pension liability (note 24)	4,518	4,717
	<hr/>	<hr/>
	<b>7,943</b>	<b>6,584</b>
	<hr/>	<hr/>

The deferred tax asset is expected to be recovered against future taxable profits

Deferred tax provided in the financial statements is as follows

	<b>Provided 31 December 2006 £'000</b>	<b>Provided 1 January 2006 £'000</b>
Accelerated capital allowances	(1,351)	(1,158)
Other timing differences	(630)	(623)
Losses	(1,444)	(86)
Pension timing difference	(4,518)	(4,717)
	<hr/>	<hr/>
	<b>(7,943)</b>	<b>(6,584)</b>
	<hr/>	<hr/>

**Interface Europe Ltd.**

**Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)**

**16 Provisions for liabilities and charges (Continued)**

<b>Company</b>	<b>£'000</b>	
At 2 January 2006		5,915
Transfer to profit and loss account		1,574
Transfer to statement of recognised gains and losses		454
		<hr/>
At 31 December 2006		<b>7,943</b>
		<hr/>
	<b>31 December 2006 £'000</b>	<b>1 January 2006 £'000</b>
Recognised as		
Deferred tax asset (note 13)	3,425	1,198
Netted off pension liability (note 24)	4,518	4,717
	<hr/>	<hr/>
	<b>7,943</b>	<b>5,915</b>
	<hr/>	<hr/>

Deferred tax provided in the financial statements is as follows

	<b>Provided 31 December 2006 £'000</b>	<b>Provided 1 January 2006 £'000</b>
Accelerated capital allowances	(1,351)	(578)
Other timing differences	(630)	(620)
Losses	(1,444)	-
Pension timing differences	(4,518)	(4,717)
	<hr/>	<hr/>
	<b>(7,943)</b>	<b>(5,915)</b>
	<hr/>	<hr/>

The group and company at 31 December 2006 have unprovided deferred tax assets of £nil (2005-£4,200,000) comprising accelerated capital allowances and losses

	<b>Onerous lease provision £'000</b>
<b>(b) Other provisions</b>	
<b>Group and company</b>	
At 2 January 2006	1,155
Paid in the year	(130)
	<hr/>
At 31 December 2006	<b>1,025</b>
	<hr/>

**16 Provisions for liabilities and charges (Continued)****Group and company (Continued)**

The onerous lease provision relates to leases held on three properties by Interface Europe Ltd. The first property was vacated by the company during 2005 and only a small part of it has been sublet. The provision provides for the total annual cost of leasing the property for the remaining six and a half years left on the lease. The second property was also vacated during 2005 and the provision provides against the annual cost of leasing the property for the one and a half years left until a break option in the lease. The lease on this property was surrendered during July 2006. The third property was vacated during 2006 and has remained vacant since then. At the balance sheet date, it was expected that this would be occupied during 2007 with a rent free period. A provision has been made for the rent free period. All provisions have been discounted at a pre-tax rate of 6%.

**17 Called up share capital**

	Authorised			
	31 December 2006 Number	1 January 2006 Number	31 December 2006 £'000	1 January 2006 £'000
Ordinary shares of 50p each	70,679,407	70,679,407	35,340	35,340
'A' Ordinary shares of 10p each	26,602,965	26,602,965	2,660	2,660
5% preference shares of Can\$1 each	2,100,000	2,100,000	1,918	1,918
	<u>99,382,372</u>	<u>99,382,372</u>	<u>39,918</u>	<u>39,918</u>
	Allotted, called up and fully paid			
	31 December 2006 Number	1 January 2006 Number	31 December 2006 £'000	1 January 2006 £'000
Ordinary shares of 50p each	63,579,407	63,579,407	31,790	31,790
'A' ordinary shares of 10p each	23,766,677	23,766,677	2,376	2,376
	<u>87,346,084</u>	<u>87,346,084</u>	<u>34,166</u>	<u>34,166</u>

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

The priority and amounts receivable in the event of the winding up of the company are as follows:

'A' ordinary shares	10p per share
Ordinary shares	50p per share

**Interface Europe Ltd.**

**Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)**

**18 Reserves**

<b>Group</b>	<b>Share premium £'000</b>	<b>Profit and loss account £'000</b>
At 2 January 2006	5,276	(8,574)
Profit for the year	-	1,786
Exchange differences	-	(44)
Actuarial gains and losses net of tax	-	(1,059)
	<hr/>	<hr/>
At 31 December 2006	<b>5,276</b>	<b>(7,891)</b>
	<hr/>	<hr/>
<b>Company</b>		
At 2 January 2006	5,276	(26,717)
Profit for the year	-	2,603
Actuarial gains and losses net of tax	-	(1,059)
	<hr/>	<hr/>
At 31 December 2006	<b>5,276</b>	<b>(25,173)</b>
	<hr/>	<hr/>

The effect on the profit and loss reserves of the pension scheme liability incorporated into the financial statements is as follows

	<b>Group 31 December 2006 £'000</b>	<b>Group 1 January 2006 £'000</b>	<b>Company 31 December 2006 £'000</b>	<b>Company 1 January 2006 £'000</b>
Profit and loss reserve excluding pension liability	2,651	2,433	(14,631)	(15,710)
Pension Liability	(10,542)	(11,007)	(10,542)	(11,007)
	<hr/>	<hr/>	<hr/>	<hr/>
Profit and loss reserve	<b>(7,891)</b>	<b>(8,574)</b>	<b>(25,173)</b>	<b>(26,717)</b>
	<hr/>	<hr/>	<hr/>	<hr/>

**Interface Europe Ltd.**

**Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)**

<b>19 Reconciliation of operating profit to net cash inflow from operating activities</b>	<b>Year ended 31 December 2006 £'000</b>	<b>Year ended 1 January 2006 £'000</b>
Operating profit	9,060	6,250
Depreciation	1,585	2,292
Amortisation of intangible assets	858	1,347
Increase in stocks	(1,892)	(470)
(Increase)/Decrease in debtors	(6,059)	627
Increase in creditors and provision	(5,987)	(2,359)
Foreign exchange gain/(loss)	(44)	(59)
(Profit)/Loss on sale of fixed assets	185	(98)
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	<b>(2,294)</b>	<b>7,530</b>
	<hr/>	<hr/>

**20 Analysis of cash flows for headings netted in the cash flow statement**

	<b>Year ended 31 December 2006 £'000</b>	<b>Year ended 31 December 2006 £'000</b>	<b>Year ended 1 January 2006 £'000</b>	<b>Year ended 1 January 2006 £'000</b>
Returns on investments and servicing of finance				
Interest received	327		306	
Interest paid	(661)		(1,144)	
	<hr/>		<hr/>	
Net cash outflow for returns on investments and servicing of finance		<b>(334)</b>		<b>(838)</b>
		<hr/>		<hr/>
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(999)		(2,340)	
Sale of tangible fixed assets	-		249	
	<hr/>		<hr/>	
Net cash outflow for capital expenditure and financial investments		<b>(999)</b>		<b>(2,091)</b>
		<hr/>		<hr/>
Financing				
Inter company loans repaid	-		(6,097)	
	<hr/>		<hr/>	
Net cash outflow from financing		<b>-</b>		<b>(6,097)</b>
		<hr/>		<hr/>



**21 Reconciliation of net cash inflow to movement in net debt**

	Year ended 31 December 2006 £'000	Year ended 31 December 2006 £'000	Year ended 1 January 2006 £'000	Year ended 1 January 2006 £'000
Increase/(Decrease) in cash in the year	1,077		(1,535)	
Cash inflow from increase in debt and lease financing	-		6,097	
Change in net debt resulting from cash flows		1,077		4,562
Debt disposed of on sale of subsidiary		1,623		-
Opening net debt		833		(3,729)
Closing net debt		3,533		833

**22 Analysis of net debt**

	At 1 January 2006 £'000	Cash flow £'000	Disposal of subsidiary £'000	At 31 December 2006 £'000
Cash at bank and in hand	5,310	(1,777)	-	3,533
Overdrafts	(2,854)	2,854	-	-
	2,456	1,077	-	3,533
Inter company loans owed to fellow subsidiaries	(1,623)	-	1,623	-
Total	833	1,077	1,623	3,533

## Interface Europe Ltd.

### Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

#### 23 Financial commitments - operating leases

At 31 December 2006, the group and company had annual commitments under non-cancellable operating leases as follows

	At 31 December 2006 Land and buildings £'000	At 31 December 2006 Other £'000	At 1 January 2006 Land and buildings £'000	At 1 January 2006 Other £'000
<b>Group</b>				
Expiry date				
Within one year	-	235	-	158
Between two and five years	395	363	40	497
In over five years	151	-	622	8
	<u>546</u>	<u>598</u>	<u>662</u>	<u>663</u>
<b>Company</b>				
Expiry date				
Within one year	-	232	-	155
Between two and five years	395	337	40	481
In over five years	111	-	582	8
	<u>506</u>	<u>569</u>	<u>622</u>	<u>644</u>

#### 24 Pension costs

The company operates a funded defined benefit pension scheme. The assets of the scheme are held separately from those of the company. The pension cost is assessed in accordance with the advice of a professionally qualified actuary.

A full actuarial valuation of the defined benefit scheme was carried out at 5 April 2006 and updated to 31 December 2006 by a qualified independent actuary on a FRS17 basis. The major assumptions at 31 December 2006 used by the actuary were:

	31 December 2006	1 January 2006	2 January 2005
Rate of increase in salaries	3.80%	3.50%	3.50%
Rate of increase for pensions in payment	2.80%	2.50%	2.50%
Discount rate	5.10%	4.75%	5.25%
Inflation assumption	2.80%	2.50%	2.50%

**Interface Europe Ltd.**

**Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)**

**24 Pension costs (Continued)**

The fair value of the assets in the scheme and the expected rate of return at 31 December 2006 were

	Long-term rate of return expected at 31 December 2006 %	Value at 31 December 2006 £'000	Long-term rate of return expected at 1 January 2006 %	Value at 1 January 2006 £'000	Long-term rate of return expected at 2 January 2005 %	Value at 2 January 2005 £'000
Equities	6.5%	51,686	6.00%	49,191	6.50	44,584
Bonds and Cash	4.4%	28,506	4.00%	22,905	4.25	13,116
Other		-		-		-
Total market value of assets		80,192		72,096		57,700
Present value of scheme liabilities		(95,252)		(87,820)		(78,312)
Deficit in the scheme		(15,060)		(15,724)		(20,612)
Related deferred tax asset		4,518		4,717		6,183
Net pension liability on a FRS17 basis		(10,542)		(11,007)		(14,429)

**Interface Europe Ltd.**

**Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)**

**24 Pension costs (Continued)**

Contributions of £3,304,000 were made in the period to 31 December 2006 (1 January 2006 - £4,989,000). It has been agreed with the trustees that contributions for the next two years will be between 14.1% and 16.3% of pensionable pay, depending on the category of members.

	Year ended 31 December 2006 £'000	Year ended 1 January 2006 £'000
<b>Movement in deficit during the year:</b>		
Deficit in scheme at 1 January 2006	(15,724)	(20,612)
Movement in year		
Current service cost	(895)	(830)
Contributions	3,304	4,989
Past service costs	-	-
Net return on assets/(interest cost)	(232)	(522)
Actuarial gain/(loss)	(1,513)	1,251
	<u>          </u>	<u>          </u>
Deficit in scheme at 31 December 2006	<u>(15,060)</u>	<u>(15,724)</u>
 <b>Analysis of the amount charged to operating profit:</b>		
Service cost	(895)	(830)
	<u>          </u>	<u>          </u>
 <b>Analysis of net return on pension scheme:</b>		
Expected return on pension scheme assets	3,903	3,530
Interest on pension liabilities	(4,135)	(4,052)
	<u>          </u>	<u>          </u>
Other finance expenses	(232)	(522)
	<u>          </u>	<u>          </u>
 <b>Analysis of amount recognised in statement of total recognised gains and losses ("STRGL"):</b>		
Actual return less expected return on assets	3,050	7,842
Experience gains and losses on liabilities	(1,451)	657
Changes in assumptions	(3,112)	(7,248)
	<u>          </u>	<u>          </u>
Actuarial gain (loss) recognised in STRGL	<u>(1,513)</u>	<u>1,251</u>

## Interface Europe Ltd.

### Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

#### 24 Pension costs (Continued)

	31 December 2006	1 January 2006	2 January 2005	28 December 2003	29 December 2002
<b>History of experience gains and losses</b>					
Difference between expected and actual return on scheme assets					
Amount (£'000)	3,050	7,842	2,155	4,138	(8,636)
Percentage of scheme assets	4%	11%	4%	8%	20%
<b>Experience gains and losses on scheme liabilities</b>					
Amount (£'000)	(1,451)	657	(304)	(3,413)	(637)
Percentage of scheme assets	(2%)	1%	-%	4%	1%
<b>Total amount recognised in statement of total recognised gains and losses</b>					
Amount (£'000)	(1,513)	1,251	1,851	(2,592)	(2,971)
Percentage of scheme assets	(2%)	1%	2%	3%	19%

A defined contribution pension scheme was operated for certain directors of Camborne Holdings Limited. The assets of the scheme were held separately from those of the company in an independent administered fund. In addition contributions were made based on present levels of salaries to individual pension policies of certain directors and employees. The pension cost charge represents contributions payable under the above arrangements and amounted to £54,522 (1 January 2006 - £152,000).

#### 25 Related party transactions

The group has taken advantage of the exemption allowed by Financial Reporting Standard 8, "Related Party Transactions", not to disclose any transactions with entities that are included in the consolidated financial statements of Interface Inc.

#### 26 Ultimate parent company

The directors regard Interface Inc., a company incorporated in the United States of America, as the company's ultimate parent undertaking.

Interface Inc. is the parent undertaking of the largest group of which Interface Europe Ltd. is a member and for which group accounts are drawn up. Copies of those group accounts are available from 2859 Paces Ferry Road, Suite 2005, Atlanta, GA 30339, USA.

**Interface Europe Ltd.****Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)**

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**27 Discontinued operations**

On 21 April 2006 the group disposed of Camborne Holdings Limited

The loss on disposal of Camborne Holdings Limited has been calculated as follows

	£'000	£'000
Cash proceeds		5,215
Net assets disposed of		
Tangible fixed assets	5,346	
Intangible fixed assets	6,837	
Investments	175	
Stocks	6,549	
Debtors	7,949	
Cash	477	
Creditors	(14,058)	
		<hr/>
		13,275
		<hr/>
Loss on disposal		8,060
		<hr/>
The net inflow of cash in respect of the sale of Camborne Holdings Limited is as follows		£'000
Cash consideration		5,215
Cash transferred on disposal		(477)
		<hr/>
Net inflow of cash		4,738
		<hr/>

**Interface Europe Ltd.**

**Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)**

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**28 Share based payments**

Interface Inc operates a restricted stock award scheme in its own shares for certain senior employees and directors of the group. Certain UK employees are eligible to participate in the scheme. The awards vest over a three to five year period from the date of grant, provided that the employee remains in the employment or service of the company as of the vesting date. Additionally the awards vest earlier upon attainment of certain performance criteria, in the event of change of control of the company, or upon involuntary termination without cause. The awards have an exercise price of £nil.

	<b>2006 Number</b>	<b>2005 Number</b>
Outstanding at the beginning of the year	<b>86,500</b>	50,000
Granted during the year	<b>36,860</b>	36,500
Vested during the year	<b>(18,250)</b>	0
Outstanding at the end of the year	<b>105,110</b>	86,500

All awards that vest are effectively exercised on the same date.

The weighted average share price at the date of vesting of the share awards was \$10.03.

The weighted average fair value of the awards granted during the year was \$8.64 (2005-\$8.07).

The fair value of the awards granted has been calculated by reference to the market value of the Interface Inc shares at the date of grant.

The share based remuneration expense recognised in the profit and loss account for the year amounts to £143,843 (2005: £51,179).