

309779

Interface Europe Ltd

Report and Financial Statements

Year Ended 2 January 2011

FRIDAY



L3KOIXZA

L45

30/09/2011

64

COMPANIES HOUSE

Interface Europe Ltd

Annual report and financial statements for the year ended 2 January 2011

Contents

Page

1	Report of the directors
4	Report of the independent auditors
6	Consolidated profit and loss account
7	Statement of total recognised gains and losses and reconciliation of movements in shareholder's funds
8	Consolidated balance sheet
9	Company balance sheet
10	Consolidated cash flow statement
11	Notes forming part of the financial statements

Directors

J Hasselman
D T Hendrix
R S Willoch
L K Parnell
S Martin
S Carlton

Secretary and registered office

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

Company number

00309779

Auditors

BDO LLP, 1 Bridgewater Place, Water Lane, Leeds, LS11 5RU

Interface Europe Ltd

Report of the directors for the year ended 2 January 2011

The directors present their report together with the audited financial statements for the year ended 2 January 2011

Principal activities

The group's principal activity in the year was the manufacture and distribution of interior floor coverings

On 4 October 2010 the company was restructured. Manufacturing activity ceased within Interface Europe Ltd, with all subsequent manufacturing performed on a toll manufacturing basis by a newly incorporated subsidiary, Interface UK Manufacturing Limited. All inventory was sold to a newly established Dutch company, Interface European Manufacturing BV. Additionally a new subsidiary of Interface Europe Ltd was established, Interface Administration Services Limited, whose activity includes all finance, human resource and IT functions, primarily for the UK business. Interface Europe Limited continues to act as a distributor of interior floor coverings

Review of the business and future developments

The profit and loss account is set out on page 6 and shows turnover for the year of £98,229,000 and profit after taxation for the year of £2,560,000

Total group turnover increased by 11.7% in comparison to the previous year, following the one off transaction in relation to the sale of inventory to Interface European Manufacturing BV between October 2010 and December 2010. Trading conditions remained tough across all markets with gross profit as a percentage of turnover reduced in the Middle East and Africa, India, and Ireland, leaving the United Kingdom as the sole market to record an increase. Overall gross profit as a percentage of sales has decreased from 23.8% to 22.6%. Manufacturing costs remain subject to stringent scrutiny and have been reduced wherever possible but have grown as a percentage of turnover with a negative impact on gross profit in percentage terms. Selling, distribution and administrative expenses have increased by 10.3% on the comparative year but have decreased as a percentage of turnover from 19.1% to 18.8%. Overall the contribution of the business to operating profit has reduced by £426,000.

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 also sold under its registered trademark "Cool Carpet" 2,799,000 square metres of product (2009 - 2,775,000 square metres) where any greenhouse gases emitted during the life cycle of the product are offset or balanced. The proportion of energy that the company is using from non-renewable sources increased from 43% in 2009 to 45% in 2010.

The group and company are also committed to providing a safe environment to all employees. Reported accidents, those involving three or more days absence from work, for the UK and Ireland business were 12 in 2010 (2009 - 8). The incidence rate for all accidents, those involving an injury requiring either time off work or first aid treatment, was 7.48 per 200,000 hours worked (2009 - 7.46).

On 1 February 2010 the company entered into a sale and leaseback agreement in relation to its manufacturing site at Craigavon. The net book value of the assets disposed of amounted to £786,000, and the sales proceeds, after selling expenses, amounted to £957,000.

On 1 April 2010 the company closed its defined benefit pension scheme to future accrual.

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 sales markets that are settled in US Dollars and Euros exposing the company to currency risks in these areas. This is monitored on a regular basis within the company and co-ordinated treasury management across the European subsidiaries of Interface, Inc. reduces the impact of currency exposure.

Interface Europe Ltd

Report of the directors for the year ended 2 January 2011

Principal risks and uncertainties (Continued)

The main financial risks arising from the group's 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.

Interest rate risk and liquidity risk are managed through a co-ordinated approach, across the European subsidiaries of Interface, Inc, through a mixture of long term and short term debt finance and readily accessible bank deposit accounts to ensure that the group and company have 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 and floating 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 £2,848 (2009 - £3,309).

Directors

The directors of the company during the year were

J Hasselman
D T Hendrix
R S Willoch
L K Parnell
S Carlton
S Martin

Interface Europe Ltd

Report of the directors for the year ended 2 January 2011

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 2006 and for being satisfied that the financial statements give a true and fair view. The directors are also responsible for preparing the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable 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 adequate accounting records that show and explain the group's and the company's transactions, disclose with reasonable accuracy at any time the financial position of the group and the company, and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the 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.

By order of the Board



S Carlton
Secretary

29 September 2011

Interface Europe Ltd

Independent auditor's report

To the members of Interface Europe Ltd

We have audited the financial statements of Interface Europe Ltd for the year ended 2 January 2011 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses, the reconciliation of movements in shareholders' funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 2 January 2011 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Interface Europe Ltd

Independent auditor's report

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

BDO LLP

Mark Hunt, (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Leeds

Date

(BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127))

Interface Europe Ltd

Consolidated profit and loss account for the year ended 2 January 2011

	Note	2010 £'000	2009 £'000
Turnover	2	98,229	87,917
Cost of sales		(76,036)	(67,022)
Gross profit		22,193	20,895
Selling and distribution expenses		(15,560)	(14,891)
Administrative expenses		(2,952)	(1,897)
Operating profit	3	3,681	4,107
Interest receivable	4	429	397
Interest payable and similar charges	4	(14)	(12)
Other finance income/(expenses)	24	44	(552)
Profit on ordinary activities before taxation		4,140	3,940
Taxation on profit from ordinary activities	7	(1,580)	(1,535)
Profit on ordinary activities after taxation	19	2,560	2,405

The notes on pages 11 to 32 form part of the financial statements

Interface Europe Ltd

Statement of total recognised gains and losses and reconciliation of movements in shareholder's funds for the year ended 2 January 2011

	Note	2010 £'000	2009 £'000
Statement of total recognised gains and losses			
Profit for the financial year		2,560	2,405
FRS 17 actuarial gains/(losses)	24	457	(3,354)
Deferred tax effect of actuarial (gains)/losses	16	(672)	939
Current tax in relation to pension contribution in the year		485	-
Currency translation differences on foreign currency net investments	19	(13)	(127)
		<hr/>	<hr/>
Total recognised gains and losses relating to the year		2,817	(137)
		<hr/>	<hr/>
Reconciliation of movements in shareholders' funds			
Total recognised gains and losses		2,817	(137)
Opening shareholder's funds		50,952	51,089
		<hr/>	<hr/>
Closing shareholder's funds		53,769	50,952
		<hr/>	<hr/>

The notes on pages 11 to 32 form part of the financial statements

Interface Europe Ltd

Consolidated balance sheet at 2 January 2011

	Note	2010 £'000	2009 £'000
Fixed assets			
Intangible assets	9	1,753	2,456
Tangible assets	10	12,087	13,280
Investments	11	-	-
		<u>13,840</u>	<u>15,736</u>
Current assets			
Stocks	12	484	7,799
Debtors			
- due within one year	13	58,200	42,009
- due after more than one year	13	261	452
Cash at bank and in hand		3,498	2,694
		<u>62,443</u>	<u>52,954</u>
Creditors: amounts falling due within one year	14	<u>(16,884)</u>	<u>(10,033)</u>
Net current assets		<u>45,559</u>	<u>42,921</u>
Total assets less current liabilities		<u>59,399</u>	<u>58,657</u>
Provisions for liabilities	17	<u>(143)</u>	<u>(156)</u>
Net assets excluding pension liability		<u>59,256</u>	<u>58,501</u>
Pension liability	24	<u>(5,487)</u>	<u>(7,549)</u>
Net assets including pension liability		<u>53,769</u>	<u>50,952</u>
Capital and reserves			
Called up share capital	18	34,166	34,166
Share premium account	19	5,276	5,276
Profit and loss account	19	14,327	11,510
Shareholder's funds		<u>53,769</u>	<u>50,952</u>

The financial statements were approved by the Board of Directors and authorised for issue on 29 September 2011


S Carlton
Director


The notes on pages 11 to 32 form part of the financial statements

Interface Europe Ltd

Company balance sheet at 2 January 2011

	Note	2010 £'000	2009 £'000
Fixed assets			
Tangible assets	10	6,167	13,280
Investments	11	22,392	16,513
		28,559	29,793
Current assets			
Stocks	12	484	7,799
Debtors			
- due within one year	13	58,076	42,862
- due after more than one year	13	458	452
Cash at bank and in hand		3,007	2,432
		62,025	53,545
Creditors amounts falling due within one year	14	(19,929)	(13,944)
Net current assets		42,096	39,601
Total assets less current liabilities		70,655	69,394
Creditors amounts falling due after more than one year	15	(13,583)	(13,583)
Provisions for liabilities	17	(143)	(156)
Net assets excluding pension liability		56,929	55,655
Pension liability	24	(5,487)	(7,549)
Net assets including pension liability		51,442	48,106
Capital and reserves			
Called up share capital	18	34,166	34,166
Share premium account	19	5,276	5,276
Profit and loss account	19	12,000	8,664
Shareholder's funds		51,442	48,106

The financial statements were approved by the Board of Directors and authorised for issue on 29 September 2011



S Carlton
Director

The notes on pages 11 to 32 form part of the financial statements

Interface Europe Ltd

Consolidated cash flow statement for the year ended 2 January 2011

	Note	2010 £'000	2009 £'000
Net cash inflow from operating activities	20	1,386	1,188
Returns on investments and servicing of finance			
Interest received		429	397
Interest paid		(14)	(12)
Taxation			
Corporation tax paid		(975)	(2,331)
Overseas tax paid		(4)	(11)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(975)	(320)
Sale of tangible fixed assets		957	-
Increase/(decrease) in cash	21	804	(1,089)

The notes on pages 11 to 32 form part of the financial statements

Interface Europe Ltd

Notes forming part of the financial statements for the year ended 2 January 2011

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

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 of 20 years. 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

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.

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% per annum
Plant, machinery and motor vehicles	-	$8\frac{1}{3}$ - $33\frac{1}{3}$ % per annum
Fixtures, fittings and equipment	-	10 - 50% per annum

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 outright. 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.

Interface Europe Ltd

Notes forming part of the financial statements for the year ended 2 January 2011

1 Accounting policies (*Continued*)

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

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 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 are not discounted

Interface Europe Ltd

Notes forming part of the financial statements for the year ended 2 January 2011

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 bid prices, 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 profit and loss over the vesting period and credited either to a capital contribution reserve or an intercompany account. 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 profit and loss over the remaining vesting period.

Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned. Other grants are credited to the profit and loss account as the related expenditure is incurred.

Interface Europe Ltd

Notes forming part of the financial statements for the year ended 2 January 2011

2 Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the group's ordinary activities, stated net of value added tax

The group's turnover is derived from a single class of business carried out in the UK, that of the toll manufacture and distribution of interior floor coverings. Turnover can be analysed as follows

	2010 £'000	2009 £'000
Turnover by destination		
Europe, including United Kingdom	83,500	76,099
The Americas	-	7
Asia/Pacific	5,482	3,940
Other	9,247	7,871
	<u>98,229</u>	<u>87,917</u>

Substantially all of the group's turnover, profits and net assets arise from the UK operations

3 Operating profit is stated after charging/(crediting)

	2010 £'000	2009 £'000
Research and development expenditure	472	431
Depreciation - owned fixed assets	1,382	1,511
Amortisation - intangible fixed assets	703	704
Operating lease rentals - plant and machinery	975	870
- other	550	595
Fees payable to the group's auditors for the audit of the group's financial statements	77	89
Fees payable to the group's auditors and their associates for other services		
- Tax services	22	60
- Other services pursuant to legislation	49	47
- Audit of the company's subsidiaries	6	6
- All other services	-	23
(Profit)/loss on disposal of fixed assets	(171)	7
Share based payment expense (note 26)	193	259
	<u></u>	<u></u>

Interface Europe Ltd

Notes forming part of the financial statements for the year ended 2 January 2011

4 Interest

	2010 £'000	2009 £'000
<i>Interest receivable</i>		
From fellow subsidiary undertakings	424	387
Other interest receivable	5	10
	<u>429</u>	<u>397</u>
	2010 £'000	2009 £'000
<i>Interest payable and similar charges</i>		
Other interest payable	14	12
	<u>14</u>	<u>12</u>

5 Employees

Number of employees

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

	2010 Number	2009 Number
Direct labour	168	178
Office and supervision	166	199
Management	27	29
	<u>361</u>	<u>406</u>
	2010 £'000	2009 £'000
Employment costs (including directors)		
Wages and salaries	14,447	12,832
Social security costs	1,413	1,135
Pension and other costs	1,653	2,872
	<u>17,513</u>	<u>16,839</u>

Interface Europe Ltd

Notes forming part of the financial statements for the year ended 2 January 2011

6 Information regarding directors

Emoluments

	2010 £'000	2009 £'000
Directors' emoluments consist of		
Fees and remuneration	835	375
Payments to defined benefit pension scheme	54	28
	<u>889</u>	<u>403</u>

The number of directors in the defined benefit pension scheme was three (2009 - three)

	2010 £'000	2009 £'000
Emoluments (including pension contributions) of the highest paid director were		
Highest paid director	<u>495</u>	<u>223</u>

The highest paid director's accrued pension entitlement under the defined benefit scheme was £nil (2009 - £26,780) as at 2 January 2011. Company contributions paid to a money purchase scheme during the year were £20,073 (2009 - £nil)

During the year two directors made gains on the exercise of stock options (2009 – nil)

During the year one director received shares under long term incentive schemes (2009 – one)

Interface Europe Ltd

Notes forming part of the financial statements
for the year ended 2 January 2011

7 Taxation on profit from ordinary activities

	2010 £'000	2009 £'000
<i>Current tax</i>		
UK corporation tax on profits of the year	1,036	820
Tax underprovided in previous year	-	35
Overseas tax	17	12
Overseas tax overprovided in previous year	-	(2)
	<hr/>	<hr/>
Total current tax	1,053	865
<i>Deferred tax</i>		
Origination and reversal of timing differences	527	670
	<hr/>	<hr/>
Movement in deferred tax provision (note 16)	527	670
	<hr/>	<hr/>
Taxation on profit on ordinary activities	1,580	1,535
	<hr/>	<hr/>

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

	2010 £'000	2009 £'000
Profit on ordinary activities before tax	4,140	3,940
	<hr/>	<hr/>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 28%	1,159	1,103
	<hr/>	<hr/>
Effects of		
Expenses not deductible for tax purposes	57	212
Goodwill amortisation not deductible for tax purposes	197	197
Capital allowances in excess of depreciation	(33)	(154)
Short term timing differences	(188)	(408)
Difference in overseas tax rates	(19)	(10)
Use of losses brought forward	(120)	(108)
Tax under provided in previous years	-	33
	<hr/>	<hr/>
Current tax charge for year	1,053	865
	<hr/>	<hr/>

Interface Europe Ltd

Notes forming part of the financial statements for the year ended 2 January 2011

8 Company result for the year

The profit attributable to the company which has been dealt with in its own accounts is £3,066,000 (3 January 2010 – £3,050,000) The company has taken advantage of the exemption in Section 408 of the Companies Act 2006 not to present its own profit and loss account

9 Intangible fixed assets

Group	Intellectual property rights £'000	Patents and trademarks £'000	Goodwill £'000	Total £'000
<i>Cost</i>				
At 4 January 2010 and 2 January 2011	357	6	14,119	14,482
<i>Amortisation</i>				
At 4 January 2010	357	6	11,663	12,026
Amortisation for the year	-	-	703	703
At 2 January 2011	357	6	12,366	12,729
<i>Net book value</i>				
At 2 January 2011	-	-	1,753	1,753
At 3 January 2010	-	-	2,456	2,456
Company				
<i>Cost</i>				
At 4 January 2010 and 2 January 2011	357	6	2,887	3,250
<i>Amortisation</i>				
At 4 January 2010 and 2 January 2011	357	6	2,887	3,250
<i>Net book value</i>				
At 3 January 2010 and 2 January 2011	-	-	-	-

Interface Europe Ltd

Notes forming part of the financial statements
for the year ended 2 January 2011

10 Tangible fixed assets

Group	Freehold land and buildings £'000	Fixtures, fittings, plant and machinery £'000	Total £'000
<i>Cost</i>			
At 4 January 2010	11,618	20,736	32,354
Additions	229	746	975
Disposals	(1,622)	(45)	(1,667)
At 2 January 2011	10,225	21,437	31,662
<i>Depreciation</i>			
At 4 January 2010	4,279	14,795	19,074
Charge for the year	296	1,086	1,382
Disposals	(836)	(45)	(881)
At 2 January 2011	3,739	15,836	19,575
<i>Net book value</i>			
At 2 January 2011	6,486	5,601	12,087
At 3 January 2010	7,339	5,941	13,280
Company			
<i>Cost</i>			
At 4 January 2010	11,618	20,736	32,354
Additions	165	489	654
Disposals	(1,622)	(45)	(1,667)
Transfer to group company	(533)	(21,180)	(21,713)
At 2 January 2011	9,628	-	9,628
<i>Depreciation</i>			
At 4 January 2010	4,279	14,795	19,074
Charge for the year	335	767	1,102
Disposals	(836)	(45)	(881)
Transfer to group company	(317)	(15,517)	(15,834)
At 2 January 2011	3,461	-	3,461
<i>Net book value</i>			
At 2 January 2011	6,167	-	6,167
At 3 January 2010	7,339	5,941	13,280

Interface Europe Ltd

Notes forming part of the financial statements
for the year ended 2 January 2011

11 Fixed asset investments - unlisted

Group	Shares in unlisted company £'000
<i>Cost</i>	
At 4 January 2010 and 2 January 2011	31
<i>Provisions</i>	
At 4 January 2010 and 2 January 2011	31
<i>Net book value</i>	
At 3 January 2010 and 2 January 2011	-

Company	Shares in unlisted company £'000	Shares in subsidiary undertakings £'000	Total £'000
<i>Cost</i>			
At 4 January 2010	31	16,513	16,544
Additions	-	5,879	5,879
At 2 January 2011	31	22,392	22,423
<i>Provisions</i>			
At 4 January 2010 and 2 January 2011	31	-	31
<i>Net book value</i>			
At 2 January 2011	-	22,392	22,392
At 3 January 2010	-	16,513	16,513

Subsidiary undertakings

The following were the principal subsidiary undertakings of the company at the year end and have been included in the consolidated financial statements

Company	Country of registration or incorporation	Nature of business	Class	Shares held %
Interface Ireland Limited	Ireland	Distribution of interior floor coverings	Ordinary	100
Interface UK Manufacturing Limited*	UK	Toll manufacture of interior floor coverings	Ordinary	100
Interface Administration Services Limited*	UK	Provision of administration Services	Ordinary	100

* - incorporated during the year

Interface Europe Ltd

Notes forming part of the financial statements for the year ended 2 January 2011

12 Stocks

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Raw materials and consumables	-	3,212	-	3,212
Work in progress	484	681	484	681
Finished goods and goods for resale	-	3,906	-	3,906
	<u>484</u>	<u>7,799</u>	<u>484</u>	<u>7,799</u>

13 Debtors

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
<i>Amounts due within one year</i>				
Trade debtors	14,440	11,803	13,925	11,084
Amounts owed by subsidiary undertakings	-	-	5,328	1,590
Amounts owed by parent undertaking and fellow subsidiary undertakings	42,365	29,146	37,495	29,146
Other debtors	126	190	96	173
Prepayments and accrued income	1,269	870	1,232	869
	<u>58,200</u>	<u>42,009</u>	<u>58,076</u>	<u>42,862</u>
<i>Amounts due after more than one year</i>				
Deferred tax (see note 16)	261	452	458	452
	<u>58,461</u>	<u>42,461</u>	<u>58,534</u>	<u>43,314</u>

Interface Europe Ltd

Notes forming part of the financial statements
for the year ended 2 January 2011

14 Creditors amounts falling due within one year

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Trade creditors	5,159	3,391	5,063	3,393
Amounts owed to subsidiary undertakings	-	-	4,557	4,540
Amounts owed to parent undertaking and fellow subsidiary undertakings	4,231	2,275	3,857	1,797
Other taxes and social security costs	2,009	670	1,912	572
Corporation tax	208	619	74	624
Accruals and deferred income	5,277	3,078	4,466	3,018
	<u>16,884</u>	<u>10,033</u>	<u>19,929</u>	<u>13,944</u>

15 Creditors amounts falling due after more than one year

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Amounts owed to subsidiary undertakings	-	-	13,583	13,583

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

16 Deferred tax asset

	Group 2010 £'000	Company 2010 £'000
At 4 January 2010	3,388	3,388
Transfer to profit and loss account	(527)	(330)
Transfer to statement of recognised gains and losses	(672)	(672)
Balance at 2 January 2011	<u>2,189</u>	<u>2,386</u>

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Recognised as				
Deferred tax asset (note 13)	261	452	458	452
Netted off pension liability (note 24)	1,928	2,936	1,928	2,936
	<u>2,189</u>	<u>3,388</u>	<u>2,386</u>	<u>3,388</u>

Interface Europe Ltd

Notes forming part of the financial statements for the year ended 2 January 2011

16 Deferred tax asset (Continued)

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

A deferred tax asset of £2 9m (2009 £2 9m) in respect of capital losses has not been recognised as there is uncertainty concerning the availability of suitable future taxable profits against which this asset can be offset

In the March 2011 Budget it was announced that, from 1 April 2011, the corporation tax rate in the UK would reduce to 26% and would fall by 1% per annum thereafter down to a rate of 23% by 1 April 2014. The effect of these proposals will be to reduce the ultimate realisable value of the deferred tax assets in the group

Deferred tax provided in the financial statements is as follows

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Accelerated capital allowances	(28)	54	169	54
Other timing differences	118	90	118	90
Non trading debits	171	308	171	308
Pension timing difference	1,928	2,936	1,928	2,936
	<u>2,189</u>	<u>3,388</u>	<u>2,386</u>	<u>3,388</u>

17 Provisions for liabilities

	Onerous lease provision £'000
Group and company	
At 4 January 2010	156
Released during the year	(13)
	<u>143</u>
At 2 January 2011	

The onerous lease provision relates to leases held by the Company on two properties. The first has a full repairing lease which expires in 2011. It is occupied by two subtenants. The lease on the second property expires in 2011. Two of the three floors are unoccupied. The subtenant of the remaining floor is in financial difficulties and is behind with rent. The provision provides for the shortfall in rental recovery and the estimated cost of dilapidations.

Interface Europe Ltd

Notes forming part of the financial statements for the year ended 2 January 2011

18 Called up share capital

	2010 Number	2009 Number	2010 £'000	2009 £'000
<i>Allotted, called up and fully paid</i>				
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

19 Reserves

Group	Share premium account £'000	Profit and loss account £'000
At 4 January 2010	5,276	11,510
Profit for the year	-	2,560
Actuarial gains net of tax	-	270
Exchange differences	-	(13)
	<u>5,276</u>	<u>14,327</u>
At 2 January 2011	<u>5,276</u>	<u>14,327</u>
 Company		
At 4 January 2010	5,276	8,664
Profit for the year	-	3,066
Actuarial gains net of tax	-	270
	<u>5,276</u>	<u>12,000</u>
At 2 January 2011	<u>5,276</u>	<u>12,000</u>

Interface Europe Ltd

Notes forming part of the financial statements
for the year ended 2 January 2011

20 Reconciliation of operating profit to net cash inflow from operating activities

	2010 £'000	2009 £'000
Operating profit	3,681	4,107
Depreciation	1,382	1,525
Amortisation of intangible assets	703	704
(Profit)/loss on disposal of fixed assets	(171)	7
Foreign exchange gain	(13)	(127)
Decrease in stocks	7,315	1,064
Increase in debtors	(16,191)	(880)
Increase/(decrease) in creditors	7,306	(3,557)
(Decrease)/increase in provisions	(13)	81
Difference between pension charge and cash contribution	(2,613)	(1,736)
Net cash inflow from operating activities	1,386	1,188

21 Reconciliation of net cash inflow to movement in net funds

	2010 £'000	2009 £'000
Increase/(decrease) in cash in the year	804	(1,089)
Opening net funds	2,694	3,783
Closing net funds	3,498	2,694

22 Analysis of net funds

	At 4 January 2010 £'000	Cash flow £'000	At 2 January 2011 £'000
Cash at bank and in hand	2,694	804	3,498

Interface Europe Ltd

Notes forming part of the financial statements
for the year ended 2 January 2011

23 Financial commitments - operating leases

At 2 January 2011, the group and company had annual commitments under non-cancellable operating leases as follows

	2010 Land and buildings £'000	2010 Other £'000	2009 Land and Buildings £'000	2009 Other £'000
Group				
Expiry date				
Within one year	127	39	-	109
Between two and five years	431	384	737	324
In over five years	169	-	110	25
	<u>727</u>	<u>423</u>	<u>847</u>	<u>458</u>
Company				
Expiry date				
Within one year	127	19	-	105
Between two and five years	191	133	682	300
In over five years	110	-	110	25
	<u>428</u>	<u>152</u>	<u>792</u>	<u>430</u>

Interface Europe Ltd

Notes forming part of the financial statements for the year ended 2 January 2011

24 Pension costs

On 1 April 2010 the company closed its defined benefit pension scheme to future accrual. 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 2009 and updated to 2 January 2011 by a qualified independent actuary on a FRS17 basis.

Contributions of £2,600,000 were made in the period to 2 January 2011 (3 January 2010 - £3,096,000). It has been agreed with the trustees that the company will continue to contribute to the Scheme at current levels, and contributions of £2,484,000 are expected to be paid in 2011.

Details of the Scheme are given below:

	2010 £'000	2009 £'000
Change in benefit obligation during the year:		
Benefit obligation at 4 January 2010	(95,197)	(80,147)
Movement in year		
Current service cost	(31)	(1,120)
Interest cost	(5,266)	(4,908)
Scheme participants' contributions	(188)	(357)
Past service cost	-	(88)
Actuarial losses	(5,806)	(13,334)
Benefits paid from Scheme	6,070	3,774
Expenses paid	614	583
Curtailments	-	400
	<u>(99,804)</u>	<u>(95,197)</u>
Benefit obligation at 2 January 2011	(99,804)	(95,197)
Change in Scheme assets during the year:		
Fair value of Scheme assets at 4 January 2010	84,712	71,280
Movement in year		
Expected return on Scheme assets	5,310	4,356
Actuarial gains on Scheme assets	6,263	9,980
Employer contributions	2,600	3,096
Member contributions	188	357
Benefits paid from Scheme	(6,070)	(3,774)
Expenses paid	(614)	(583)
	<u>92,389</u>	<u>84,712</u>
Fair value of Scheme assets at 2 January 2011	92,389	84,712
Amounts recognised in the balance sheet:		
Present value of wholly or partly funded obligations	(99,804)	(95,197)
Fair value of Scheme assets	92,389	84,712
	<u>(7,415)</u>	<u>(10,485)</u>
Scheme deficit	(7,415)	(10,485)
Related deferred tax asset	1,928	2,936
	<u>(5,487)</u>	<u>(7,549)</u>
Net liability	(5,487)	(7,549)

Interface Europe Ltd

Notes forming part of the financial statements for the year ended 2 January 2011

24 Pension costs (Continued)

Components of pension cost	2010	2009
<i>Amount recognised in profit and loss statement</i>	£'000	£'000
Interest on pension liabilities	(5,266)	(4,908)
Expected return on Scheme assets	5,310	4,356
Other finance expenses	44	(552)
Current service cost	(31)	(1,120)
Past service cost	-	(88)
Gain due to curtailments	-	400
Total pension gain/(costs) recognised in the year	13	(1,360)
<i>Analysis of amount recognised in statement of total recognised gains and losses ("STRGL")</i>		
	2010	2009
	£'000	£'000
Actuarial gains/(losses)	457	(3,354)
Cumulative amount of actuarial losses immediately recognised	(14,272)	(14,729)
Principal actuarial assumptions		
<i>Assumptions to determine benefit obligations</i>	2010	2009
Discount rate	5.40%	5.70%
Rate of compensation increase	N/A	N/A
Rate of price inflation	3.40%	3.50%
Rate of pension increases (LPI capped at 5.0%)	3.40%	3.50%
Rate of pension increases (LPI capped at 2.5%)	2.40%	2.40%
<i>Assumptions to determine net pension cost</i>	2010	2009
Discount rate	5.70%	6.20%
Expected long-term rate of return on plan assets	6.89%	6.15%
<i>Weighted average life expectancy on post-retirement mortality table used to determine benefit obligation for</i>		
	2010	2009
Members aged 65 (current life expectancy)	21.0 years	20.3 years
Members aged 40 (life expectancy at age 65)	22.9 years	21.4 years

Interface Europe Ltd

Notes forming part of the financial statements
for the year ended 2 January 2011

24 Pension costs (Continued)

Scheme assets

<i>Percentage of Scheme assets by asset allocation</i>	2010	2009
Equities	54%	57%
Bonds/other	46%	43%
	100%	100%
<i>Expected long term rate of return on Scheme assets during the financial year</i>	6.89%	6.15%

To develop the expected long-term rate of return on Scheme assets assumption, the company considered the current level of expected return on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on Scheme assets assumption for the portfolio.

	2010 £'000	2009 £'000
<i>Actual return on Scheme assets</i>	11,573	14,336

History of experience gains and losses

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Defined benefit obligation	(99,804)	(95,197)	(80,147)	(92,241)	(95,252)
Fair value of Scheme assets	92,389	84,712	71,280	84,699	80,038
Deficit	(7,415)	(10,485)	(8,867)	(7,542)	(15,214)

Difference between the expected and actual return on Scheme assets

	2010	2009	2008	2007	2006
Amount	6,263	9,980	(18,004)	(259)	3,050
Percentage of Scheme assets	7%	12%	(25%)	-	4%

Experience gains and losses on Scheme liabilities

	2010	2009	2008	2007	2006
Amount	-	(3,540)	-	-	(1,451)
Percentage of Scheme liabilities	-	(4%)	-	-	(2%)

Interface Europe Ltd

Notes forming part of the financial statements for the year ended 2 January 2011

24 Pension costs *(Continued)*

	2010 £'000	2009 £'000
Balance sheet reconciliation		
Gross balance sheet liability at 4 January 2010	(10,485)	(8,867)
Pension income/(expense) recognised in profit and loss account in the financial year	13	(1,360)
Amounts recognised in STRGL in the financial year	457	(3,354)
Actual contributions made by the company in the financial year	2,600	3,096
	<hr/>	<hr/>
Gross balance sheet liability at 2 January 2011	(7,415)	(10,485)
	<hr/>	<hr/>

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 Interface, Inc, or other wholly owned subsidiaries

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. The immediate parent undertaking is Interface Europe BV, a company incorporated in the Netherlands.

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 2 January 2011

27 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.

	2010 Number	2009 Number
Outstanding at the beginning of the year	109,333	129,333
Granted during the year	50,000	-
Vested during the year	(8,333)	-
Surrendered during the year	-	(20,000)
	<hr/>	<hr/>
Outstanding at the end of the year	151,000	109,333
	<hr/>	<hr/>

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 \$8.11 in 2010.

The weighted average fair value of the awards granted during 2010 was \$12.43.

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.

In addition, Interface, Inc. operates three equity-settled share based remuneration schemes for certain senior employees and directors of the group. Under the scheme, options vest if the employee remains with the company for two years.

	Weighted average exercise price (\$) 2010	Number 2010	Weighted average exercise price (\$) 2009	Number 2009
Outstanding at the beginning of the year	4.92	114,500	9.10	14,500
Granted during the year	12.43	20,000	4.31	100,000
Exercised during the year	4.33	(52,500)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Outstanding at the end of the year	7.12	82,000	4.92	114,500
	<hr/>	<hr/>	<hr/>	<hr/>

The exercise price of options outstanding at the end of the year ranged between \$2.71 and \$14.13 (2009 - \$2.71 and \$14.13) and their weighted average contractual life was 8.37 years (2009 - 9.33 years).

Of the total number of options outstanding at the end of the year, 12,000 (2009 - 10,750) had vested and were exercisable at the end of the year.

Interface Europe Ltd

Notes forming part of the financial statements for the year ended 2 January 2011

27 Share based payment (continued)

The weighted average share price (at the date of exercise) of options exercised during the year was \$15.58 (2009 - \$nil)

The weighted average fair value of each option granted during the year was \$6.79 (2009 - \$1.91)

The following information is relevant in the determination of the fair value of options granted during the year under the equity settled share based remuneration schemes operated by Interface Inc

	2010	2009
Equity-settled		
Option pricing model used	Black-Scholes	Black-Scholes
Weighted average share price at grant date (\$)	12.43	4.31
Exercise price (\$)	12.43	4.31
Weighted average contractual life (days)	2,098	1,992
Equity-settled		
Expected volatility	61%	61%
Expected dividend growth rate	0.32%	2.78%
Risk-free interest rate	2.09%	1.6%

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices over the last three years

The share-based remuneration expense (note 3) comprises

	2010 £'000	2009 £'000
Equity-settled schemes	193	259

The group did not enter into any share-based payment transactions with parties other than employees during the current or previous period