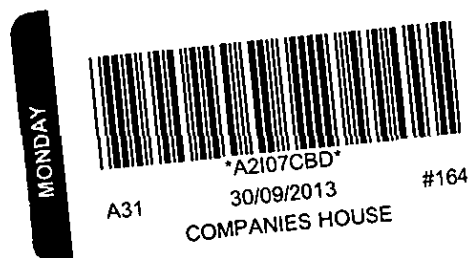


## **Interface Europe Ltd**

Report and Financial Statements

Year Ended 30 December 2012

Company Number 00309779



# **Interface Europe Ltd**

**Annual report and financial statements for the year ended 30 December 2012**

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## **Directors**

J Hasselman  
L K Parnell  
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 30 December 2012

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The directors present their report together with the audited financial statements for the year ended 30 December 2012

### Principal activities

The group's principal activity in the year continues to be the toll manufacture and distribution of interior floor coverings

### Review of the business and future developments

In order to further strengthen the Interface group's European business at the end of March 2012 and following appropriate consultation it was decided to close the manufacturing and distribution operations at Shelf. The loss in the European group's production capacity in the UK has been picked up by the European group's remaining manufacturing sites in Craigavon, Northern Ireland, which is operated by Interface UK Manufacturing Limited and Scherpenzeel, Holland, which is operated by Interface European Manufacturing BV. We consider both to be world class facilities that combine to offer the expertise and the capacity to meet the requirements of the group's customers and to accommodate growth when the economic situation in Europe improves.

This decision was made, because investments made by the European group in state-of-the-art production technology have considerably increased capacity. Unfortunately the marketplace hasn't increased to the same degree. By consolidation from three to two sites within Europe it is considered that the European group will be able to increase efficiencies and be in a position to benefit from growth opportunities when these arrive. The European group will continue to invest in new market opportunities and in the efficiency of its manufacturing sites including the UK group's site at Craigavon.

The European group remains committed to the UK market, which is the largest and most important in Europe and has retained the UK headquarters at Shelf, at which sales and marketing, design and development and other support functions are based.

The profit and loss account is set out on page 6 and shows turnover for the year of £85,711,000 (2011 - £93,066,000) and a loss after taxation for the year of £2,995,000 (2011 - profit of £2,581,000). The loss for the year includes exceptional restructuring costs of £9,709,000, which comprise the costs of a redundancy programme affecting the group's manufacturing, distribution and administrative functions, together with associated asset write downs to expected disposal value and other restructuring expenses. Interface European Manufacturing BV has made a contribution of £4,000,000 towards the cost of the restructuring.

Total group turnover decreased by 7.9% in comparison to the previous year. Trading conditions remained tough across all markets with gross profit as a percentage of turnover reduced in each market, with the exception of the UK. Overall gross profit as a percentage of sales has decreased from 22.5% to 22%. Manufacturing costs remain subject to stringent scrutiny and have been reduced wherever possible but have increased as a percentage of turnover. Selling, distribution and administrative expenses have decreased by 7.1% on the comparative year but have increased as a percentage of turnover from 18.9% to 19%. Overall the contribution of the business to operating profit has decreased by £835,000.

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 sold, under its registered trademark "Cool Carpet", 1,028,000 square metres of product (2011 - 1,027,000 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 decreased from 52% in 2011 to 39% in 2012.

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 2 in 2012 (2011 - 8).

# **Interface Europe Ltd**

## **Report of the directors for the year ended 30 December 2012**

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### **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.

The main financial risks arising from the group's and company's activities are credit 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.

Liquidity risk is 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.

### **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 £2,150 (2011 - £7,859). Additionally carpet tiles are donated to several charities at £nil cost.

### **Directors**

The directors of the company during the year were

J Hasselman  
L K Parnell  
S Carlton  
S Martin (resigned 13<sup>th</sup> July 2012)

# Interface Europe Ltd

## Report of the directors for the year ended 30 December 2012

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### 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

30<sup>th</sup> September 2013

# **Interface Europe Ltd**

## **Independent auditor's report**

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### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF INTERFACE EUROPE LIMITED**

We have audited the financial statements of Interface Europe Limited for the year ended 30 December 2012 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 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 Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### **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 30 December 2012 and of the group's loss 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

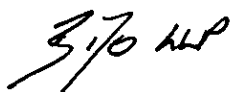
## Independent auditor's report

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### 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



*Ian Beaumont, (senior statutory auditor)*  
For and on behalf of BDO LLP, statutory auditor  
Leeds  
United Kingdom

Date *30/9/2013*

*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 30 December 2012

	Note	Continuing operations 2012 £'000	Discontinued operations 2012 £'000	Total 2012 £'000	2011 £'000
Turnover	3	83,616	2,095	85,711	93,066
Cost of sales		(64,946)	(1,885)	(66,831)	(72,107)
<b>Gross profit</b>		<b>18,670</b>	<b>210</b>	<b>18,880</b>	<b>20,959</b>
Selling and distribution expenses		(11,049)	-	(11,049)	(12,453)
Administrative expenses		(5,260)	-	(5,260)	(5,100)
<b>Operating profit</b>	4	<b>2,361</b>	<b>210</b>	<b>2,571</b>	<b>3,406</b>
Income received towards the costs of a fundamental restructuring	5	-	4,000	4,000	-
Costs of a fundamental restructuring	5	-	(9,709)	(9,709)	-
<b>(Loss) / profit on ordinary activities before finance</b>		<b>2,361</b>	<b>(5,499)</b>	<b>(3,138)</b>	<b>3,406</b>
Interest receivable	6			470	439
Interest payable and similar charges	6			(8)	(1)
Other finance income	26			399	154
<b>(Loss) / profit on ordinary activities before taxation</b>				<b>(2,277)</b>	<b>3,998</b>
Taxation on (loss) / profit from ordinary activities	9			(718)	(1,417)
<b>(Loss) / profit on ordinary activities after taxation</b>	21			<b>(2,995)</b>	<b>2,581</b>

The notes on pages 11 to 33 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 30 December 2012

	Note	2012 £'000	2011 £'000
<b>Statement of total recognised gains and losses</b>			
(Loss) / profit for the financial year		(2,995)	2,581
FRS 17 actuarial gains / (losses)	26	3,328	(6,741)
Deferred tax effect of actuarial (gains) / losses	18	(1,682)	952
Current tax in relation to pension contribution in the year		674	658
Currency translation differences on foreign currency net investments	21	(9)	(16)
		<hr/>	<hr/>
Total recognised gains and losses relating to the year		(684)	(2,566)
		<hr/>	<hr/>
<b>Reconciliation of movements in shareholder's funds</b>			
Total recognised gains and losses		(684)	(2,566)
Opening shareholder's funds		51,203	53,769
		<hr/>	<hr/>
Closing shareholder's funds		50,519	51,203
		<hr/>	<hr/>

The notes on pages 11 to 33 form part of the financial statements

# Interface Europe Ltd

## Consolidated balance sheet at 30 December 2012

Company Number 00309779

	Note	2012 £'000	2011 £'000
<b>Fixed assets</b>			
Intangible assets	11	346	1,049
Tangible assets	12	7,768	14,491
		<u>8,114</u>	<u>15,540</u>
<b>Current assets</b>			
Stocks	14	845	617
Debtors			
- due within one year	15	54,318	54,850
- due after more than one year	15	175	-
Cash at bank and in hand		1,418	658
		<u>56,756</u>	<u>56,125</u>
<b>Creditors, amounts falling due within one year</b>	16	(9,676)	(11,628)
		<u>47,080</u>	<u>44,497</u>
<b>Net current assets</b>			
		<u>55,194</u>	<u>60,037</u>
<b>Total assets less current liabilities</b>			
<b>Creditors, amounts falling due after more than one year</b>	17	-	(172)
<b>Provisions for liabilities</b>	19	(666)	(24)
		<u>54,528</u>	<u>59,841</u>
<b>Net assets excluding pension liability</b>			
Pension liability	26	(4,009)	(8,638)
		<u>50,519</u>	<u>51,203</u>
<b>Net assets including pension liability</b>			
		<u>50,519</u>	<u>51,203</u>
<b>Capital and reserves</b>			
Called up share capital	20	34,166	34,166
Share premium account	21	5,276	5,276
Profit and loss account	21	11,077	11,761
		<u>50,519</u>	<u>51,203</u>
<b>Shareholder's funds</b>		<u>50,519</u>	<u>51,203</u>

The financial statements were approved by the Board of Directors and authorised for issue on 30<sup>th</sup> September 2013



S Carlton  
Director

The notes on pages 11 to 33 form part of the financial statements

# Interface Europe Ltd

## Company balance sheet at 30 December 2012

Company Number 00309779

	Note	2012 £'000	2011 £'000
<b>Fixed assets</b>			
Tangible assets	12	2,774	5,901
Investments	13	22,392	22,392
		<u>25,166</u>	<u>28,293</u>
<b>Current assets</b>			
Stocks	14	845	617
Debtors			
- due within one year	15	50,700	53,545
- due after more than one year	15	104	182
Cash at bank and in hand		1,115	637
		<u>52,764</u>	<u>54,981</u>
<b>Creditors' amounts falling due within one year</b>	16	(11,124)	(12,346)
		<u>41,640</u>	<u>42,635</u>
<b>Net current assets</b>			
		<u>66,806</u>	<u>70,928</u>
<b>Total assets less current liabilities</b>			
<b>Creditors' amounts falling due after more than one year</b>	17	(14,066)	(14,066)
<b>Provisions for liabilities</b>	19	-	(24)
		<u>52,740</u>	<u>56,838</u>
<b>Net assets excluding pension liability</b>			
Pension liability	26	(4,009)	(8,638)
		<u>48,731</u>	<u>48,200</u>
<b>Net assets including pension liability</b>			
<b>Capital and reserves</b>			
Called up share capital	20	34,166	34,166
Share premium account	21	5,276	5,276
Profit and loss account	21	9,289	8,758
		<u>48,731</u>	<u>48,200</u>
<b>Shareholder's funds</b>			
		<u>48,731</u>	<u>48,200</u>

The financial statements were approved by the Board of Directors and authorised for issue on 30<sup>th</sup> September 2013



S Carlton  
Director

The notes on pages 11 to 33 form part of the financial statements

# Interface Europe Ltd

## Consolidated cash flow statement for the year ended 30 December 2012

	Note	2012 £'000	2011 £'000
<b>Net cash inflow from operating activities</b>	22	<b>2,267</b>	<b>1,279</b>
<b>Returns on investments and servicing of finance</b>			
Interest received		4	4
Interest paid		(8)	(1)
<b>Taxation</b>			
Corporation tax paid		(761)	(277)
Overseas tax paid		(6)	(31)
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets		(736)	(3,814)
<b>Increase / (decrease) in cash</b>	23	<b>760</b>	<b>(2,840)</b>

The notes on pages 11 to 33 form part of the financial statements

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2012

## 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.

Profit is recognised on supply and fit contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated by reference to the value of work performed to date as a proportion of the total contract value.

### *Investments*

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

### *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 <sup>1/3</sup> - 33 <sup>1/3</sup> % 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 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.

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2012

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## 1 Accounting policies (*Continued*)

### *Leased assets (Continued)*

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.

### *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.

### *Work in progress*

Work in progress is stated at the lower of cost and net realisable value. Cost comprises the 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.

### *Pensions*

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

For defined benefit schemes, pension 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.

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2012

## 1 Accounting policies (Continued)

### *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.

## 2 Comparative figures

The analysis between continuing and discontinued operations for the year ended 1 January 2012 is shown below

	Continuing 2011 £'000	Discontinued 2011 £'000	Total 2011 £'000
Turnover	83,602	9,464	93,066
Cost of sales	(63,590)	(8,517)	(72,107)
Gross profit	20,012	947	20,959
Selling and distribution expenses	(12,453)	-	(12,453)
Administrative expenses	(5,100)	-	(5,100)
Operating profit	2,459	947	3,406

Discontinued operations relates to the manufacturing and distribution operations at Shelf, operated by Interface UK Manufacturing Limited

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2012

## 3 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

	2012 £'000	2011 £'000
Turnover by destination		
Europe, including United Kingdom	71,570	78,343
Asia / Pacific	6,464	7,355
Other	7,677	7,368
	<u>85,711</u>	<u>93,066</u>

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

## 4 Operating profit is stated after charging:

	2012 £'000	2011 £'000
Depreciation - owned fixed assets	799	1,375
Amortisation - intangible fixed assets	703	704
Operating lease rentals - plant and machinery	769	890
- other	506	577
Fees payable to the group's auditors for the audit of the group's financial statements	66	77
Fees payable to the group's auditors and their associates for other services		
- Tax services	24	22
- Other services pursuant to legislation	20	49
- Audit of the company's subsidiaries	14	6
Loss on disposal of fixed assets	-	35
Share based payment expense (note 29)	458	604
	<u>458</u>	<u>604</u>

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2012

## 5 Costs of a fundamental restructuring

The restructuring costs of £9,709,000 relate to the closure of manufacturing and distribution operations at Shelf. As the restructuring has had a material effect on the nature and focus of the group's operations the costs have been charged after operating profit in accordance with FRS 3 'Reporting Financial Performance'. The restructuring costs can be analysed as follows:

	2012 £'000
Asset write downs	5,010
Redundancies	3,713
Plant and machinery dismantling and removal costs	721
Other	265
	<u>9,709</u>

Interface European Manufacturing BV has made a contribution of £4,000,000 towards the cost of the restructuring.

## 6 Interest

<i>Interest receivable</i>	2012 £'000	2011 £'000
From fellow subsidiary undertakings	466	435
Other interest receivable	4	4
	<u>470</u>	<u>439</u>
<i>Interest payable and similar charges</i>	2012 £'000	2011 £'000
Other interest payable	8	1
	<u>8</u>	<u>1</u>

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2012

## 7 Employees

### Number of employees

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

	2012 Number	2011 Number
Sales, marketing and distribution	81	87
Direct production	148	172
Administration	75	88
Management	29	29
	<u>333</u>	<u>376</u>

	2012 £'000	2011 £'000
Employment costs (including directors)		
Wages and salaries	12,592	14,154
Social security costs	1,272	1,478
Defined contribution pension and other costs	923	892
Defined benefit pension scheme	(232)	(154)
	<u>14,555</u>	<u>16,370</u>

## 8 Information regarding directors

### Emoluments

	2012 £'000	2011 £'000
Directors' emoluments consist of		
Fees and remuneration	784	564
Payments to defined contribution pension scheme	139	67
	<u>923</u>	<u>631</u>

The number of directors in the defined benefit pension scheme was two (2011 - three)

	2012 £'000	2011 £'000
Emoluments (including pension contributions) of the highest paid director were		
Highest paid director	457	329

During the year the highest paid director made gains on the exercise of stock options and restricted stock awards received under a long term incentive scheme

Company contributions paid to a money purchase scheme during the year were £24,000 (2011 - £23,000)

During the year two directors made gains on the exercise of stock options (2011 - two)

During the year one director received shares under long term incentive schemes (2011 - two)

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2012

## 9 Taxation on profit from ordinary activities

	2012 £'000	2011 £'000
<i>Current tax</i>		
UK corporation tax on profits of the year	759	1,004
Tax underprovided / (overprovided) in previous year	298	(36)
Overseas tax	7	13
Overseas tax underprovided in previous year	1	3
	<hr/>	<hr/>
Total current tax	1,065	984
<i>Deferred tax</i>		
Origination and reversal of timing differences (note 18)	(347)	433
	<hr/>	<hr/>
Taxation on profit on ordinary activities	718	1,417
	<hr/>	<hr/>

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

	2012 £'000	2011 £'000
(Loss) / profit on ordinary activities before tax	(2,277)	3,998
	<hr/>	<hr/>
(Loss) / profit on ordinary activities at the standard rate of corporation tax in the UK of 24.5% (2011 – 26.5%)	(558)	1,059
<i>Effects of</i>		
Expenses not deductible for tax purposes	181	201
Goodwill amortisation not deductible for tax purposes	172	186
Depreciation in excess of capital allowances	1,080	(171)
Short term timing differences	(47)	(126)
Difference in overseas tax rates	(7)	(16)
Use of losses brought forward	(54)	(116)
Tax underprovided / (overprovided) in previous years	298	(33)
	<hr/>	<hr/>
Current tax charge for year	1,065	984
	<hr/>	<hr/>

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2012

## 10 Company result for the year

The loss attributable to the company which has been dealt with in its own accounts is £1,789,000 (2011 – profit of £1,889,000) 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

## 11 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 and 30 December 2012	<b>357</b>	<b>6</b>	<b>14,119</b>	<b>14,482</b>
<i>Amortisation</i>				
At 2 January 2012	357	6	13,070	13,433
Amortisation for the year	-	-	703	703
At 30 December 2012	<b>357</b>	<b>6</b>	<b>13,773</b>	<b>14,136</b>
<i>Net book value</i>				
At 30 December 2012	-	-	<b>346</b>	<b>346</b>
At 1 January 2012	-	-	1,049	1,049
<b>Company</b>				
<i>Cost</i>				
At 2 January and 30 December 2012	<b>357</b>	<b>6</b>	<b>2,887</b>	<b>3,250</b>
<i>Amortisation</i>				
At 2 January and 30 December 2012	<b>357</b>	<b>6</b>	<b>2,887</b>	<b>3,250</b>
<i>Net book value</i>				
At 1 January and 30 December 2012	-	-	-	-

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2012

## 12 Tangible fixed assets

Group	Freehold land and buildings £'000	Fixtures, fittings, plant and machinery £'000	Assets held for resale £'000	Total £'000
<i>Cost</i>				
At 2 January 2012	10,277	24,960	-	35,237
Additions	52	684	-	736
Reclassification	(6,792)	-	6,792	-
Disposals	(37)	(4,612)	-	(4,649)
Transfers to group undertakings	-	(8,957)	-	(8,957)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 December 2012	<b>3,500</b>	<b>12,075</b>	<b>6,792</b>	<b>22,367</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 2 January 2012	4,051	16,695	-	20,746
Charge for the year	228	571	-	799
Reclassification	(2,280)	-	2,280	-
Impairment losses	-	1,998	3,012	5,010
Disposals	(37)	(4,612)	-	(4,649)
Transfers to group undertakings	-	(7,307)	-	(7,307)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 December 2012	<b>1,962</b>	<b>7,345</b>	<b>5,292</b>	<b>14,599</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 30 December 2012	<b>1,538</b>	<b>4,730</b>	<b>1,500</b>	<b>7,768</b>
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 January 2012	6,226	8,265	-	14,491
	<hr/>	<hr/>	<hr/>	<hr/>

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2012

## 12 Tangible fixed assets (Continued)

Company	Freehold land and buildings £'000	Assets held for resale £'000	Total £'000
<i>Cost</i>			
At 2 January 2012	9,607	-	9,607
Reclassification	(6,792)	6,792	-
	<hr/>	<hr/>	<hr/>
At 30 December 2012	<b>2,815</b>	<b>6,792</b>	<b>9,607</b>
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 2 January 2012	3,706	-	3,706
Charge for the year	115	-	115
Reclassification	(2,280)	2,280	-
Impairment losses	-	3,012	3,012
	<hr/>	<hr/>	<hr/>
At 30 December 2012	<b>1,541</b>	<b>5,292</b>	<b>6,833</b>
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 30 December 2012	<b>1,274</b>	<b>1,500</b>	<b>2,774</b>
	<hr/>	<hr/>	<hr/>
At 1 January 2012	5,901	-	5,901
	<hr/>	<hr/>	<hr/>

Certain land and buildings have been reclassified as assets held for resale as they are currently being marketed for sale. They have been impaired to the expected proceeds.

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2012

## 13 Fixed asset investments - unlisted

Group	Shares in unlisted company £'000		
<i>Cost</i>			
At 2 January 2012 and 30 December 2012			31
<i>Provisions</i>			
At 2 January 2012 and 30 December 2012			31
<i>Net book value</i>			
At 1 January 2012 and 30 December 2012			-
Company	Shares in unlisted company £'000	Shares in subsidiary undertakings £'000	Total £'000
<i>Cost</i>			
At 2 January 2012 and 30 December 2012	31	22,392	22,423
<i>Provisions</i>			
At 2 January 2012 and 30 December 2012	31	-	31
<i>Net book value</i>			
At 1 January 2012 and 30 December 2012	-	22,392	22,392

## 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
TF Firth & Sons Limited	UK	Dormant	Ordinary	100
Carpets International Overseas Limited	UK	Dormant	Ordinary	100

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2012

## 14 Stocks

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Work in progress	845	617	845	617

## 15 Debtors

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
<i>Amounts due within one year</i>				
Trade debtors	14,874	15,262	14,162	14,637
Amounts owed by group undertakings	38,601	38,897	36,032	38,243
Corporation tax	151	-	215	369
Other debtors	215	186	39	57
Prepayments and accrued income	477	505	252	239
	<b>54,318</b>	<b>54,850</b>	<b>50,700</b>	<b>53,545</b>
<i>Amounts due after more than one year</i>				
Deferred tax (see note 18)	175	-	104	182
	<b>54,493</b>	<b>54,850</b>	<b>50,804</b>	<b>53,727</b>

## 16 Creditors, amounts falling due within one year

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Trade creditors	712	1,453	405	45
Amounts owed to group undertakings	3,227	5,864	7,027	9,904
Corporation tax	-	225	-	-
Other taxes and social security costs	2,201	911	1,874	559
Other creditors	2,908	1,929	1,524	1,170
Accruals and deferred income	628	1,246	294	668
	<b>9,676</b>	<b>11,628</b>	<b>11,124</b>	<b>12,346</b>

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2012

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

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Amounts owed to subsidiary undertakings	-	-	14,066	14,066
Deferred tax (see note 18)	-	172	-	-
	<u>-</u>	<u>172</u>	<u>14,066</u>	<u>14,066</u>

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

## 18 Deferred tax asset

	Group 2012 £'000	Company 2012 £'000
At 2 January 2012	2,708	3,062
Transfer to profit and loss account (note 9)	347	(78)
Transfer to statement of total recognised gains and losses	(1,682)	(1,682)
	<u>1,373</u>	<u>1,302</u>
At 30 December 2012	1,373	1,302

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Recognised as				
Deferred tax asset / (liability)	175	(172)	104	182
Netted off pension liability (note 26)	1,198	2,880	1,198	2,880
	<u>1,373</u>	<u>2,708</u>	<u>1,302</u>	<u>3,062</u>

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

A deferred tax asset of £2.9m (2011: £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.

The passing of the Finance Bill 2013 in July 2013 substantially enacted a reduction in the corporation tax rate in the UK to 21% from 1 April 2014, and a further fall to 20% from April 2015. The effect of these proposals will be to reduce the ultimate realisable value of the deferred tax assets in the group by £179,000.

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2012

## 18 Deferred tax asset (Continued)

Deferred tax provided in the financial statements is as follows

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Accelerated capital allowances	163	(251)	95	113
Other timing differences	12	24	9	14
Non trading debits	-	55	-	55
Pension timing difference	1,198	2,880	1,198	2,880
	<u>1,373</u>	<u>2,708</u>	<u>1,302</u>	<u>3,062</u>

## 19 Provisions for liabilities

	Onerous lease provision £'000	Restructuring provision £'000	Total £'000
<b>Group and company</b>			
At 2 January 2012	24	-	24
Utilised during the year	(24)	-	(24)
Charged during the year	-	666	666
	<u>-</u>	<u>666</u>	<u>666</u>
At 30 December 2012	-	666	666

The onerous lease provision provided for the estimated cost of property dilapidations in relation to a lease which expired in 2011

The restructuring provision relates to future costs that are anticipated to be incurred in relation to the cessation of manufacturing at the Shelf site as detailed at note 5. The costs are expected to be incurred during the next year.

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2012

## 20 Called up share capital

	2012 Number	2011 Number	2012 £'000	2011 £'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

## 21 Reserves

Group	Share premium account £'000	Profit and loss account £'000
At 2 January 2012	5,276	11,761
Loss for the year	-	(2,995)
Actuarial gains net of deferred tax	-	2,563
Deferred tax effect of non actuarial pension movement	-	(917)
Current tax in relation to pension contributions in the year	-	674
Exchange differences	-	(9)
	<u>5,276</u>	<u>11,077</u>
At 30 December 2012	<u>5,276</u>	<u>11,077</u>
<b>Company</b>		
At 2 January 2012	5,276	8,758
Loss for the year	-	(1,789)
Actuarial gains net of deferred tax	-	2,563
Deferred tax effect of non actuarial pension movement	-	(917)
Current tax in relation to pension contributions in the year	-	674
	<u>5,276</u>	<u>9,289</u>
At 30 December 2012	<u>5,276</u>	<u>9,289</u>

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2012

## 22 Reconciliation of operating profit to net cash inflow from operating activities

	2012 £'000	2011 £'000
Operating profit	2,571	3,406
Costs of a fundamental restructuring (see note 5)	(4,033)	-
	<u>(1,462)</u>	<u>3,406</u>
Depreciation	799	1,375
Amortisation of intangible assets	703	704
Loss on disposal of fixed assets	-	35
Foreign exchange gain	(9)	(16)
Increase in stocks	(228)	(133)
Decrease in debtors	6,799	3,785
Decrease in creditors	(1,727)	(5,274)
Employer contributions to pension liability	(2,584)	(2,484)
Decrease in provisions	(24)	(119)
	<u>2,267</u>	<u>1,279</u>

## 23 Reconciliation of net cash inflow to movement in net funds

	2012 £'000	2011 £'000
Increase / (decrease) in cash in the year	760	(2,840)
Opening net funds	658	3,498
	<u>1,418</u>	<u>658</u>

## 24 Analysis of net funds

	At 2 January 2012 £'000	Cash flow £'000	At 30 December 2012 £'000
Cash at bank and in hand	658	760	1,418

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2012

## 25 Financial commitments - operating leases

The group and company had annual commitments under non-cancellable operating leases as follows

	2012 Land and buildings £'000	2012 Other £'000	2011 Land and buildings £'000	2011 Other £'000
<b>Group</b>				
Expiry date				
Within one year	134	43	8	44
Between two and five years	419	237	538	439
	<u>553</u>	<u>280</u>	<u>546</u>	<u>483</u>
<b>Company</b>				
Expiry date				
Within one year	134	22	8	10
Between two and five years	152	123	245	164
	<u>286</u>	<u>145</u>	<u>253</u>	<u>174</u>

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2012

## 26 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 30 December 2012 by a qualified independent actuary on a FRS17 basis.

Contributions of £2,751,000 were made during the year (2011 - £2,484,000). It has been agreed with the trustees that the company will continue to contribute to the Scheme at current levels, and contributions of £2,687,000 are expected to be paid in 2013.

Details of the Scheme are given below.

	2012 £'000	2011 £'000
<b>Change in benefit obligation during the year.</b>		
Benefit obligation at 2 January 2012	(101,954)	(99,804)
Movement in year		
Interest cost	(4,799)	(5,269)
Actuarial losses	(3,536)	(1,824)
Benefits paid from Scheme	4,008	4,450
Losses on curtailment	(167)	-
Expenses paid	-	493
	<u>(106,448)</u>	<u>(101,954)</u>
Benefit obligation at 30 December 2012		
	<u>(106,448)</u>	<u>(101,954)</u>
<b>Change in Scheme assets during the year</b>		
Fair value of Scheme assets at 2 January 2012	90,436	92,389
Movement in year		
Expected return on Scheme assets	5,198	5,423
Actuarial gains / (losses) on Scheme assets	6,864	(4,917)
Employer contributions	2,751	2,484
Benefits paid from Scheme	(4,008)	(4,450)
Expenses paid	-	(493)
	<u>101,241</u>	<u>90,436</u>
Fair value of Scheme assets at 30 December 2012		
	<u>101,241</u>	<u>90,436</u>
<b>Amounts recognised in the balance sheet:</b>		
Present value of wholly or partly funded obligations	(106,448)	(101,954)
Fair value of Scheme assets	101,241	90,436
	<u>(5,207)</u>	<u>(11,518)</u>
<b>Scheme deficit</b>		
Related deferred tax asset (note 18)	1,198	2,880
	<u>(4,009)</u>	<u>(8,638)</u>
<b>Net liability</b>		
	<u>(4,009)</u>	<u>(8,638)</u>

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2012

## 26 Pension costs (Continued)

<b>Components of pension income:</b>	<b>2012</b>	<b>2011</b>
<i>Amount recognised in profit and loss statement</i>	<b>£'000</b>	<b>£'000</b>
<i>Included in other income</i>		
Interest on pension liabilities	(4,799)	(5,269)
Expected return on Scheme assets	5,198	5,423
	<hr/>	<hr/>
Other finance income	399	154
<i>Included in administrative expenses</i>		
Losses on curtailments and settlements	(167)	-
	<hr/>	<hr/>
Cumulative amount of pension income recognised	232	154
	<hr/>	<hr/>
	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
<i>Actual return on Scheme assets</i>	1,062	506
	<hr/>	<hr/>
<i>Analysis of amount recognised in statement of total recognised gains and losses ("STRGL")</i>	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Actuarial gains / (losses)	3,328	(6,741)
	<hr/>	<hr/>
	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
<i>Cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses</i>	(17,685)	(21,013)
	<hr/>	<hr/>

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2012

## 26 Pension costs (Continued)

### Principal actuarial assumptions:

<i>Assumptions to determine benefit obligations</i>	<b>2012</b>	<b>2011</b>
Discount rate	<b>4.40%</b>	4.80%
Rate of RPI price inflation	<b>2.85%</b>	2.90%
Rate of CPI price inflation	<b>2.15%</b>	2.20%
Rate of pension increases (LPI capped at 5.0%)	<b>2.80%</b>	2.90%
Rate of pension increases (LPI capped at 2.5%)	<b>1.95%</b>	2.30%

### *Assumptions to determine net pension cost*

Discount rate	<b>4.40%</b>	4.80%
Expected long-term rate of return on plan assets	<b>5.21%</b>	6.30%

### *Weighted average life expectancy on post-retirement mortality table used to determine benefit obligation for*

	<b>2012</b>	<b>2011</b>
Members aged 65 (current male life expectancy)	<b>21.1 years</b>	21.1 years
Members aged 45, male life expectancy at age 62 (2011 – Members aged 40, male life expectancy at age 65)	<b>23.0 years</b>	23.0 years

### Scheme assets

<i>Percentage of Scheme assets by asset allocation</i>	<b>2012</b>	<b>2011</b>
Equities	<b>53%</b>	50%
Bonds / other	<b>47%</b>	50%
	<b>100%</b>	100%

<i>Expected return on assets by asset allocation</i>	<b>2012</b>	<b>2011</b>
Equities	<b>6.25%</b>	8.10%
Bonds / other	<b>4.02%</b>	4.49%
	<b>5.21%</b>	6.30%

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.

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2012

## 26 Pension costs (Continued)

### History of experience gains and losses

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Defined benefit obligation	(106,448)	(101,954)	(99,804)	(95,197)	(80,147)
Fair value of Scheme assets	101,241	90,436	92,389	84,712	71,280
Deficit	(5,207)	(11,518)	(7,415)	(10,485)	(8,867)

### Difference between the expected and actual return on Scheme assets

	2012	2011	2010	2009	2008
Amount	6,864	(4,917)	6,263	9,980	(18,004)
Percentage of Scheme assets	7%	(6%)	7%	12%	(25%)

### Experience gains and losses on Scheme liabilities

	2012	2011	2010	2009	2008
Amount	-	-	-	(3,540)	-
Percentage of Scheme liabilities	-	-	-	(4%)	-

Balance sheet reconciliation	2012 £'000	2011 £'000
Gross balance sheet liability at 2 January 2012	(11,518)	(7,415)
Pension income recognised in profit and loss account in the financial year	232	154
Amounts recognised in STRGL in the financial year	3,328	(6,741)
Actual contributions made by the company in the financial year	2,751	2,484
Gross balance sheet liability at 30 December 2012	(5,207)	(11,518)

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2012

## 27 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

## 28 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.

## 29 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.

	2012 Number	2011 Number
Outstanding at the beginning of the year	117,643	135,000
Granted during the year	60,000	38,500
Surrendered during the year	(1,167)	-
Vested during the year	(14,338)	(55,857)
	<hr/>	<hr/>
Outstanding at the end of the year	162,138	117,643
	<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 \$12.68 (2011 - \$10.00).

The weighted average fair value of the awards granted during was \$13.25 (2011 - \$11.08).

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.

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2012

## 29 Share based payments (Continued)

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

	Weighted average exercise price (pence) 2012	Number 2012	Weighted average exercise price (pence) 2011	Number 2011
Outstanding at the beginning of the year	11.04	27,000	7.12	82,000
Cancelled during the year	12.43	(5,000)	-	-
Exercised during the year	10.83	(9,500)	5.20	(55,000)
		<hr/>		<hr/>
Outstanding at the end of the year	10.63	12,500	11.04	27,000
		<hr/>		<hr/>

The exercise price of options outstanding at the end of the year ranged between \$3.45 and \$12.43 (2011 - \$2.71 and \$14.13) and their weighted average contractual life was 6 years (2011 - 7.0 years).

Of the total number of options outstanding at the end of the year, 12,500 (2011 - 17,000) had vested and were exercisable at the end of the year.

The weighted average share price (at the date of exercise) of options exercised during the year was \$14.22 (2011 - \$17.24). No options were granted during the current or prior year.

The share-based remuneration expense (note 3) comprises

	2012 £'000	2011 £'000
Equity-settled schemes	458	604
	<hr/>	<hr/>

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