

## **Interface Europe Ltd**

Annual Report and Financial Statements

Year Ended 1 January 2017

Company Number 00309779

FRIDAY



\*A6G01YAD\*

A08

29/09/2017

#379

COMPANIES HOUSE

# **Interface Europe Ltd**

## **Annual report and financial statements for the year ended 1 January 2017**

---

### **Contents**

#### **Page:**

1	Strategic report
4	Directors' report
5	Directors' responsibilities statement
6	Independent auditor's report
8	Consolidated income statement
9	Consolidated statement of comprehensive income
10	Consolidated statement of financial position
11	Company statement of financial position
12	Consolidated statement of changes in equity
13	Company statement of changes in equity
14	Consolidated cash flow statement
15	Notes forming part of the financial statements

---

### **Directors**

J Hasselman  
S Carlton  
A H van Keken (appointed 8 July 2016)  
S Hamilton (appointed 8 July 2016, resigned 8 May 2017)  
N W Stansfield (appointed 8 May 2017)

### **Secretary and registered office**

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

### **Company number**

00309779

### **Auditors**

BDO LLP, Central Square, 29 Wellington Street, Leeds, LS1 4DL

# Interface Europe Ltd

## Strategic report for the year ended 1 January 2017

---

The directors present their strategic report together with the audited financial statements for the year ended 1 January 2017.

The year end 2016 refers to the period from 4 January 2016 to 1 January 2017. The comparative year end refers to the period 29 December 2014 to 3 January 2016.

### Principal activities

The group's principal activity in the year continues to be the toll manufacture and distribution of interior floor coverings in the UK, Ireland and the Middle East.

It is our long term mission to become climate neutral, meaning that it is our goal to eliminate any negative impact which our company may have on the environment by the year 2020.

### Review of the business and future developments

The Income statement is set out on page 8 and shows turnover for the year of £67,779,000 (2015 - £76,221,000) and a profit after taxation for the year of £2,239,000 (2015 - £2,692,000).

Total group turnover decreased by 11.1% in comparison to the previous year. Trading conditions remained tough across all markets and overall gross profit as a percentage of sales decreased from 23.9% to 23.5%. 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 8.2% on the comparative year but have increased as a percentage of turnover from 19.5% to 20.1%. Overall the contribution of the business to operating profit has decreased by £1,050,000.

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 the registered trademark "Cool Carpet", 1,510,568 square metres of product (2015 – 1,476,290 square metres) where any greenhouse gases emitted during the life cycle of the product are offset or balanced. The proportion of energy that the UK manufacturing plant is using from non-renewable sources decreased to 24% from 26%.

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 two in 2016 (2015 - five). The incidence rate for all accidents, those involving an injury requiring either time off work or first aid treatment, was 0.63 per 200,000 hours worked (2015 – 1.56).

During 2015 the decision was taken to dissolve several of the dormant subsidiaries within the UK group. The effect of this decision has been recorded in the prior year consolidated Income statement, the company and group statement of financial position and the related notes to the accounts. The process formally completed in early 2016. The fixed assets investment note, set out on pages 25 and 26, lists the companies that have been dissolved prior to the year end.

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

The economic environment for 2017 remains highly uncertain. The result of the EU referendum in the UK, the European group's largest and most important market, has compounded this uncertainty. In some of the regions of the European group, we expect growth, while some regions remain challenging. We expect Interface Europe Ltd sales growth to be challenging in the current economic environment however we expect margins to improve, linked to tight cost control.

The Interface Inc. group will continue its emphasis on sustainability, functionality and design, and plans to introduce a wide range of new products with unique designs and advanced well-being functionality in 2017, including plans to introduce the lowest CO<sup>2</sup> footprint product available in the marketplace today. We expect to maintain and expand upon our global market leader position in 2017.

# Interface Europe Ltd

## Strategic report for the year ended 1 January 2017 (*continued*)

---

### Principal risks and uncertainties

Interface analyses and controls its risks by dividing them into categories (strategic, operational, financial and compliance). Control measures are defined for each identified risk. Interface has defined sufficient measures for the majority of its identified risks and uncertainties.

#### *Strategic*

A significant proportion of the company's business is in the corporate office sector, which is very sensitive to economic and political developments. 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 sectors, such as hospitality, education, healthcare and government. Additionally the company is seeking to convert traditional broadloom customers to modular flooring.

Our global aim is overall growth of our primary service, which is offering our clients a total solution when it comes to interior design. Therefore we have recently introduced our new product range of Luxury Vinyl Tiles (LVT). In the foreseeable future additional innovative concepts can be added.

On a global scale we are still investing in our current mission to "take back the climate". We aim to keep our position of being one of the most sustainable companies in the world.

Our strategic risk appetite is defined to be low to medium, as we currently have a stable core business. New strategic initiatives are carefully evaluated as to whether or not they actually will add value to our global strategy. Strategic initiatives which involve high risks are not accepted by the board.

#### *Operational*

We have implemented strict operational procedures with regards to quality and safety. These are monitored continuously to assure premium quality products for our customers and a safe working environment for our staff.

To mitigate the risk that the market might not accept a certain product style, we are continuously evaluating and updating our concepts, designs and are renewing our product portfolio. This way we can offer our customers fresh new designs, but also our "best sellers".

To assure continuity in our production and IT environment, disaster and recovery plans and related procedures are in place. These are reviewed on a frequent basis.

Our operational risk appetite is defined to be low, as we like to avoid complaints from our customers about our products not meeting the expected quality standards. Also subsequent reputational risk is to be avoided.

In terms of the health and safety of our employees, we adopt a zero risk strategy, as our employees are the most important assets of the company.

#### *Financial*

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 the co-ordinated treasury management across the European subsidiaries of Interface, Inc. reduces the impact of currency exposure.

For each country and sales centre we develop a separate pricing strategy which has a strategic fit with the local market. Changes in pricing and or margin strategies are discussed and evaluated within the so-called pricing committee.

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 statement of financial position date.

# Interface Europe Ltd

Strategic report for the year ended 1 January 2017 (*continued*)

---

## Principal risks and uncertainties (*continued*)

### *Financial (continued)*

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.

### *Compliance*

As a company we are aiming for full compliance with local laws and regulation. Newly hired employees are required to sign a code of conduct. With regards to production, health, safety, HR and other topics we have designed adequate procedures which enable us to work according to the highest industry norms and standards.

## Key performance indicators

The directors closely monitor the group's sales, margin and operating costs, managing business investment in accordance with market conditions. Commentary on these indicators is detailed above.

## Approval

This strategic report was approved by order of the Board on 29 September 2017.



S Carlton  
Director

# Interface Europe Ltd

## Annual report of the directors for the year ended 1 January 2017

---

The directors present their annual report together with the audited financial statements for the year ended 1 January 2017.

### Directors

The directors of the company during the year were:

J Hasselman  
S Carlton  
A H van Keken (appointed 8 July 2016)  
S Hamilton (appointed 8 July 2016, resigned 8 May 2017)  
N W Stansfield (appointed 8 May 2017)

### 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 £6,394 (2015 - £6,535). Additionally, carpet tiles have been donated to several charities at £nil cost in both the current and preceding year.

### Disclosure of information to the auditors

The current directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors are not aware of any relevant audit information of which the company's auditor is unaware.

### By order of the Board



S Carlton  
Director

29 September 2017

# Interface Europe Ltd

## Directors' responsibilities statement

---

### Directors' responsibilities

The directors are responsible for preparing the strategic report, the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 and the company 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 102 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 group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Interface Europe Ltd

## Independent auditor's report

---

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERFACE EUROPE LTD

We have audited the financial statements of Interface Europe Limited for the year ended 1 January 2017 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the reconciliation of movements in shareholder's funds, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated cash flow statement 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 Financial Reporting Council's (FRC'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 FRC'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 company's affairs as at 1 January 2017 and of its 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, based on the work undertaken in the course of the audit:

- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.



# Interface Europe Ltd

## Independent auditor's report (*continued*)

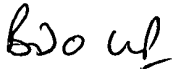
---

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.



Craig Burton (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor  
Leeds  
United Kingdom

Date 29 September 2017

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

# Interface Europe Ltd

## Consolidated Income statement for the year ended 1 January 2017

	Note	2016 £'000	2015 £'000
Turnover	5	67,779	76,221
Cost of sales		(51,859)	(58,027)
<b>Gross profit</b>		<b>15,920</b>	<b>18,194</b>
Selling and distribution expenses		(9,173)	(10,245)
Administrative expenses		(4,474)	(4,626)
<b>Operating profit</b>	6	<b>2,273</b>	<b>3,323</b>
Interest receivable	7	580	646
Interest payable and similar charges	7	-	(2)
Other finance income / (expense)	25	39	(368)
<b>Profit on ordinary activities before taxation</b>		<b>2,892</b>	<b>3,599</b>
Taxation on profit from ordinary activities	9	(653)	(907)
<b>Profit on ordinary activities after taxation</b>		<b>2,239</b>	<b>2,692</b>

The notes on pages 15 to 39 form part of the financial statements.

# Interface Europe Ltd

## Consolidated statement of comprehensive income for the year ended 1 January 2017

	Note	2016 £'000	2015 £'000
Profit for the financial year		2,239	2,692
Actuarial (losses) / gains	25	(14,708)	4,812
Deferred tax effect of actuarial (losses) / gains	18	2,500	(866)
Deferred tax effect of non actuarial movements	18	(454)	(459)
Current tax in relation to pension contributions in the year		637	505
Currency translation differences on foreign currency net investments		119	(37)
		<hr/>	<hr/>
Total comprehensive (expense) / income for the year		(9,667)	6,647
		<hr/>	<hr/>
<b>Reconciliation of movements in shareholder's funds</b>			
Total comprehensive (expense) / income for the year		(9,667)	6,647
Opening shareholder's funds		57,285	50,638
		<hr/>	<hr/>
Closing shareholder's funds		47,618	57,285
		<hr/>	<hr/>

The notes on pages 15 to 39 form part of the financial statements.

# Interface Europe Ltd

## Consolidated statement of financial position as at 1 January 2017

<b>Company number 00309779</b>		<b>2016</b>	<b>2015</b>
	<b>Note</b>	<b>£'000</b>	<b>£'000</b>
<b>Fixed assets</b>			
Intangible assets	11	-	-
Tangible assets	12	6,643	7,190
		<u>6,643</u>	<u>7,190</u>
<b>Current assets</b>			
Stocks	14	745	773
Debtors			
- due within one year	15	55,100	58,620
- due after more than one year	15	400	450
Cash at bank and in hand		1,859	1,579
		<u>58,104</u>	<u>61,422</u>
Creditors: amounts falling due within one year	16	(5,750)	(10,063)
<b>Net current assets</b>		<u>52,354</u>	<u>51,359</u>
<b>Total assets less current liabilities</b>		<b>58,997</b>	<b>58,549</b>
Creditors: amounts falling due after more than one year	17	(289)	(374)
Provisions for liabilities	19	(616)	(437)
<b>Net assets excluding pension liability</b>		<u>58,092</u>	<u>57,738</u>
Pension liability	25	(10,474)	(453)
<b>Net assets including pension liability</b>		<u>47,618</u>	<u>57,285</u>
<b>Capital and reserves</b>			
Called up share capital	20	34,166	34,166
Share premium account		5,276	5,276
Profit and loss account		8,176	17,843
		<u>47,618</u>	<u>57,285</u>

The financial statements were approved by the Board of Directors and authorised for issue on 29 September 2017.



S Carlton  
Director

The notes on pages 15 to 39 form part of the financial statements.

# Interface Europe Ltd

## Company statement of financial position as at 1 January 2017

<b>Company Number 00309779</b>	<b>Note</b>	<b>2016 £'000</b>	<b>2015 £'000</b>
<b>Fixed assets</b>			
Tangible assets	12	-	33
Investments	13	19,971	19,971
		<u>19,971</u>	<u>20,004</u>
<b>Current assets</b>			
Stocks	14	745	753
Debtors			
- due within one year	15	58,298	57,536
- due after more than one year	15	440	510
Cash at bank and in hand		1,690	1,036
		<u>61,173</u>	<u>59,835</u>
<b>Creditors: amounts falling due within one year</b>	16	<u>(28,498)</u>	<u>(25,835)</u>
<b>Net current assets</b>		<u>32,675</u>	<u>34,000</u>
<b>Total assets less current liabilities</b>		<u>52,646</u>	<u>54,004</u>
Creditors: amounts falling due after more than one year	17	(289)	(375)
Provisions for liabilities	19	(193)	(66)
<b>Net assets excluding pension liability</b>		<u>52,164</u>	<u>53,563</u>
Pension liability	25	(10,474)	(453)
<b>Net assets including pension liability</b>		<u>41,690</u>	<u>53,110</u>
<b>Capital and reserves</b>			
Called up share capital	20	34,166	34,166
Share premium account		5,276	5,276
Profit and loss account		2,248	13,668
		<u>41,690</u>	<u>53,110</u>

The financial statements were approved by the Board of Directors and authorised for issue on 29 September 2017.



S Carlton  
Director

The notes on pages 15 to 39 form part of the financial statements.

## Interface Europe Ltd

### Consolidated statement of changes in equity for the year ended 1 January 2017

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total equity £'000
At 4 January 2016	34,166	5,276	17,843	57,285
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	2,239	2,239
Other comprehensive income for the year	-	-	(11,906)	(11,906)
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	-	(9,667)	(9,667)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 1 January 2017</b>	<b>34,166</b>	<b>5,276</b>	<b>8,176</b>	<b>47,618</b>
	<hr/>	<hr/>	<hr/>	<hr/>

### Consolidated statement of changes in equity for the year ended 3 January 2016

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total equity £'000
At 29 December 2014	34,166	5,276	11,196	50,638
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	2,692	2,692
Other comprehensive income for the year	-	-	3,955	3,955
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	-	6,647	6,647
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 3 January 2016</b>	<b>34,166</b>	<b>5,276</b>	<b>17,843</b>	<b>57,285</b>
	<hr/>	<hr/>	<hr/>	<hr/>

## Interface Europe Ltd

### Company statement of changes in equity for the year ended 1 January 2017

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total equity £'000
At 4 January 2016	34,166	5,276	13,668	53,110
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	606	606
Other comprehensive income for the year	-	-	(12,026)	(12,026)
<b>Total comprehensive income for the year</b>	-	-	(11,420)	(11,420)
<b>At 1 January 2017</b>	<b>34,166</b>	<b>5,276</b>	<b>2,248</b>	<b>41,690</b>

### Company statement of changes in equity for the year ended 3 January 2016

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total equity £'000
At 29 December 2014	34,166	5,276	7,865	47,307
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	1,811	1,811
Other comprehensive income for the year	-	-	3,992	3,992
<b>Total comprehensive income for the year</b>	-	-	5,803	5,803
<b>At 3 January 2016</b>	<b>34,166</b>	<b>5,276</b>	<b>13,668</b>	<b>53,110</b>

# Interface Europe Ltd

## Consolidated cash flow statement for the year ended 1 January 2017

	Note	2016 £'000	2015 £'000
<b>Net cash inflow from operating activities</b>	21	958	853
<b>Returns on investments and servicing of finance</b>			
Interest received	7	4	10
Interest paid	7	-	(2)
<b>Taxation</b>			
Corporation tax (paid) / refunded		(188)	205
Overseas tax paid		(27)	(12)
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets	12	(467)	(1,269)
<b>Increase / (decrease) in cash</b>	23	280	(215)

The notes on pages 15 to 39 form part of the financial statements.



# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 1 January 2017

---

## 1 General information

Interface Europe Limited's ("the company") principal activity is the distribution of interior floor coverings in the UK and the Middle East.

The company is a private company limited by shares and is incorporated in the United Kingdom and registered in England. The address of the registered office is Shelf Mills, Shelf, Halifax, West Yorkshire, HX3 7PA.

## 2 Statement of compliance

The financial statements of Interface Europe Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102") and the Companies Act 2006.

These financial statements are the first financial statements prepared under FRS 102 and information on the impact of first-time adoption of FRS 102 is given in note 29.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (note 3).

## 3 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determine whether leases entered into by the group either as lessor or lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- Determine whether the Restricted Stock Award Scheme should be considered to be under the control or de facto control of the parent company. The judgement that the parent company does exert de facto control has resulted in the Restricted Stock Award Scheme's assets and liabilities being recognised on the parent company and consolidated balance sheets.

Other key sources of estimation uncertainty:

- Tangible fixed assets (note 12)

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 1 January 2017 (*continued*)

---

## 4 Summary of significant accounting policies

### *Basis of preparation*

The financial statements are prepared on a going concern basis under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 required the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

The year end 2016 refers to the period from 4 January 2016 to 1 January 2017. The comparative year end refers to the period 29 December 2014 to 3 January 2016.

### *Consolidated financial statements*

The company is a wholly owned subsidiary of Interface Europe Holding BV, a company incorporated in the Netherlands, which is the smallest group of which Interface Europe Limited is a member and for which group accounts are drawn up.

Interface Inc. is the parent undertaking of the largest group of which Interface Europe Limited is a member. Copies of its consolidated financial statements are available from 2859 Paces Ferry Road, Suite 2005, Atlanta, GA 30339, USA.

### *Basis of consolidation*

The group consolidated financial statements include the financial statements of the company and all of its subsidiary undertakings.

A subsidiary is an undertaking controlled by the group. Control is the power to govern financial and operating policies of an entity so as to obtain benefit from its activities.

Any subsidiary undertakings sold or acquired during the year are included up to, or from, the dates of change of control.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

### *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 income statement, 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.

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 1 January 2017 (*continued*)

---

## 4 Summary of significant accounting policies (*continued*)

### *Sale and leasebacks*

Sale and leasebacks, by means of an operating lease, are accounted for in the same manner as a standard operating lease. On sale the asset is removed and the profit deferred over the lease term.

### *Operating lease rentals*

Annual rentals are charged to the Income statement 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 trademarks are amortised on a straight line basis for a period not exceeding twenty years which the directors consider to be their useful economic lives.

### *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 Income statement 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.

### *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, 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:

Leasehold improvements	-	over the period of the lease
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

### *Work in progress*

Work in progress represents accrued income on supply and fit contracts, where the final outcome can be assessed with reasonable certainty. Work in progress is calculated by reference to the value of work performed to date as a proportion of the total contract value.

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 1 January 2017 (*continued*)

---

## 4 Summary of significant accounting policies (*continued*)

### *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 statement of financial position 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 Income statement.

### *Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date except that the recognition of deferred tax assets is limited to the extent that the company anticipates making 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, 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 comprehensive income, 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 restricted shares awards are granted to employees they vest with respect to each recipient over a three year period from the grant date, provided the individual remains in the employment or service of the Company as of the vesting date. Additionally, these shares (or a portion thereof) could vest earlier upon the attainment of certain performance criteria, in the event of a change in control of the company, or upon involuntary termination without cause. The expense in relation to these awards is calculated by reference to the market value of the shares at the date of the grant, and recognised over the vesting period.

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 1 January 2017 (continued)

## 5 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.

	2016 £'000	2015 £'000
Turnover by class of business:		
Distribution of interior floor coverings	53,910	60,640
Toll manufacturing	8,501	8,896
Provision of administrative services	5,368	6,685
	<u>67,779</u>	<u>76,221</u>
Turnover by destination:		
Europe, including United Kingdom	61,675	69,535
Asia / Pacific	621	417
Other	5,483	6,269
	<u>67,779</u>	<u>76,221</u>

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

## 6 Operating profit is stated after charging / (crediting):

	2016 £'000	2015 £'000
Deferred profit on sale of fixed assets	(65)	(65)
Depreciation - owned fixed assets	1,014	880
Operating lease rentals:		
- plant and machinery	772	823
- other	433	434
Fees payable to the group's auditors for the audit of the group's financial statements	52	51
Fees payable to the group's auditors and their associates for other services:		
- Tax services	34	24
- Other services pursuant to legislation	16	15
- Audit of the company's subsidiaries	15	14
Share based payment expense (note 28)	34	201
Foreign exchange (gains) / losses	(722)	91
	<u></u>	<u></u>

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 1 January 2017 (*continued*)

## 7 Interest

	2016 £'000	2015 £'000
<i>Interest receivable</i>		
From fellow subsidiary undertakings	576	636
Other interest receivable	4	10
	<u>580</u>	<u>646</u>
<i>Interest payable and similar charges</i>		
Other interest payable	-	2
	<u>-</u>	<u>2</u>

## 8 Employees and directors

### Employees

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

	2016 Number	2015 Number
Sales, marketing and distribution	61	73
Direct production	122	124
Administration	61	61
Management	28	29
	<u>272</u>	<u>287</u>
	£'000	£'000
Employment costs (including directors):		
Wages and salaries	10,696	10,751
Social security costs	1,184	1,172
Defined contribution pension and other costs	783	804
	<u>12,663</u>	<u>12,727</u>

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 1 January 2017 (*continued*)

## 8 Employees and directors (*continued*)

### Directors

The directors' emoluments were as follows:

	2016 £'000	2015 £'000
Fees and remuneration	334	294
Amounts receivable under long term incentive schemes	12	-
Payments to defined contribution pension scheme	44	47
	<u>390</u>	<u>341</u>

Two directors (2015: one) were members of a defined contributions scheme.

One director (2015: one) received shares under a long-term incentive scheme.

### Key management compensation

Key management includes the directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	2016 £'000	2015 £'000
Emoluments and amounts receivable under long-term incentive plans	1,146	870
Payments to defined contribution pension scheme	52	110
	<u>1,198</u>	<u>980</u>

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 1 January 2017 (continued)

## 9. Taxation on profit on ordinary activities

	2016 £'000	2015 £'000
<i>Current tax</i>		
UK corporation tax on profits of the year	585	791
Tax under / (over)provided in previous year	2	(20)
Overseas tax	19	17
Overseas tax underprovided in previous year	1	2
	<hr/>	<hr/>
Total current tax	607	790
<i>Deferred tax</i>		
Effect of decrease in tax rate on opening asset	-	198
Origination and reversal of timing differences (note 18)	46	(81)
	<hr/>	<hr/>
Taxation on profit on ordinary activities	653	907
	<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:

	2016 £'000	2015 £'000
Profit on ordinary activities before tax	2,892	4,507
FRS102 amendment to pension liability	-	(898)
	<hr/>	<hr/>
Profit on ordinary activities before tax	2,892	3,609
	<hr/>	<hr/>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 20% (2015 – 20.25%)	578	731
Effects of:		
Expenses not deductible for tax purposes	(3)	59
Capital allowances in excess of depreciation	(49)	(153)
Short term timing differences	89	-
FRS102 amendment to pension liability	-	182
Difference in overseas tax rates	(11)	(11)
Tax under / (over)provided in previous years	3	(18)
Deferred tax - effect of decrease in tax rate on opening asset	-	198
Deferred tax - origination and reversal of timing differences (note 18)	46	(81)
	<hr/>	<hr/>
Tax charge for year	653	907
	<hr/>	<hr/>



# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 1 January 2017 (*continued*)

## 10 Company result for the year

The profit attributable to the company which has been dealt with in its own accounts is £438,000 (2015 - £1,811,000). The company has taken advantage of the exemption in Section 408 of the Companies Act 2006 not to present its own Income statement.

## 11 Intangible fixed assets

Group	Intellectual property rights £'000	Patents and trademarks £'000	Goodwill £'000	Total £'000
<i>Cost</i>				
At 4 January 2016 and 1 January 2017	357	6	14,119	14,482
<i>Amortisation</i>				
At 4 January 2016 and 1 January 2017	357	6	14,119	14,482
<i>Net book value</i>				
At 3 January 2016 and 1 January 2017	-	-	-	-
<b>Company</b>				
<i>Cost</i>				
At 4 January 2016 and 1 January 2017	357	6	2,887	3,250
<i>Amortisation</i>				
At 4 January 2016 and 1 January 2017	357	6	2,887	3,250
<i>Net book value</i>				
At 3 January 2016 and 1 January 2017	-	-	-	-

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 1 January 2017 (*continued*)

## 12 Tangible fixed assets

<b>Group</b>	<b>Land and buildings £'000</b>	<b>Fixtures, fittings, plant and machinery £'000</b>	<b>Total £'000</b>
<i>Cost</i>			
At 4 January 2016	1,085	16,223	17,308
Additions	357	110	467
Transfers	358	(358)	-
Disposals	(80)	(1,206)	(1,286)
	<hr/>	<hr/>	<hr/>
At 1 January 2017	<b>1,720</b>	<b>14,769</b>	<b>16,489</b>
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 4 January 2016	757	9,361	10,118
Charge for the year	100	914	1,014
Disposals	(80)	(1,206)	(1,286)
	<hr/>	<hr/>	<hr/>
At 1 January 2017	<b>777</b>	<b>9,069</b>	<b>9,846</b>
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 1 January 2017	<b>585</b>	<b>6,058</b>	<b>6,643</b>
	<hr/>	<hr/>	<hr/>
At 3 January 2016	328	6,862	7,190
	<hr/>	<hr/>	<hr/>
<b>Company</b>		<b>Land and buildings £'000</b>	<b>Total £'000</b>
<i>Cost</i>			
At 4 January 2016		507	507
Disposals		(33)	(33)
		<hr/>	<hr/>
At 1 January 2017		<b>474</b>	<b>474</b>
		<hr/>	<hr/>
<i>Depreciation</i>			
At 4 January 2016		474	474
Charge for the year		33	33
Disposals		(33)	(33)
		<hr/>	<hr/>
At 1 January 2017		<b>474</b>	<b>474</b>
		<hr/>	<hr/>
<i>Net book value</i>			
At 1 January 2017		-	-
		<hr/>	<hr/>
At 4 January 2016		33	33
		<hr/>	<hr/>

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 1 January 2017 (*continued*)

## 13 Fixed asset investments - unlisted

Fixed asset investments - unlisted		Shares in unlisted company £'000		
Group				
<i>Cost</i>				
At 4 January 2016 and 1 January 2017			31	
			<hr/>	
<i>Provisions</i>				
At 4 January 2016 and 1 January 2017			31	
			<hr/>	
<i>Net book value</i>				
At 4 January 2016 and 1 January 2017			-	
			<hr/>	
Company		Shares in unlisted company £'000	Shares in subsidiary undertakings £'000	Total £'000
<i>Cost</i>				
At 4 January 2016 and 1 January 2017		31	19,971	20,002
		<hr/>	<hr/>	<hr/>
<i>Provisions</i>				
At 4 January 2016 and 1 January 2017		31	-	31
		<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 4 January 2016 and 1 January 2017		-	19,971	19,971
		<hr/>	<hr/>	<hr/>

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 1 January 2017 *(continued)*

## 13 Fixed asset investments – unlisted *(continued)*

### Subsidiary undertakings

The following were the 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
Interface MEA International Limited	UK	Dormant	Ordinary	100
Interface Europe Pension Scheme Trustees Limited	UK	Dormant	Ordinary	100
Interface Europe Share Participation Trustees Limited	UK	Dormant	Ordinary	100
TF Firth & Sons Limited	UK	Dormant	Ordinary	100
Firth Carpets Limited	UK	Dormant	Ordinary	100

During the year the following dormant subsidiary undertakings were dissolved.

Guilford of Maine Limited  
 Shelf Investments Limited  
 Renovisions (UK) Limited  
 Re: Source Technologies UK, Limited  
 Carpets from London Limited  
 Carpets International Overseas Limited

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 1 January 2017 (*continued*)

## 14 Stocks

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Work in progress	459	491	459	491
Finished goods	286	282	286	262
	<u>745</u>	<u>773</u>	<u>745</u>	<u>753</u>

## 15 Debtors

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
<i>Amounts due within one year:</i>				
Trade debtors	10,373	11,896	9,437	10,710
Amounts owed from group undertakings	43,880	45,780	48,483	46,136
Corporation tax	141	-	148	153
Other debtors	148	306	15	226
Prepayments and accrued income	558	638	215	311
	<u>55,100</u>	<u>58,620</u>	<u>58,298</u>	<u>57,536</u>
<i>Amounts due after more than one year:</i>				
Deferred tax (see note 18)	-	-	40	60
Other debtors	400	450	400	450
	<u>55,500</u>	<u>59,070</u>	<u>58,738</u>	<u>58,046</u>

Intercompany balances are unsecured, have no fixed date of repayment and are repayable on demand.

Other debtors falling due after more than one year relate to a rent deposit held in relation to the UK headquarters at Shelf, which is repayable in instalments over five years.

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 1 January 2017 (*continued*)

## 16 Creditors: amounts falling due within one year

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Trade creditors	844	1,654	715	833
Amounts owed to group undertakings	2,273	3,334	26,395	21,575
Corporation tax	-	104	-	-
Other taxes and social security costs	841	2,219	459	1,867
Other creditors	1,406	1,918	811	1,033
Accruals and deferred income	386	834	118	527
	<u>5,750</u>	<u>10,063</u>	<u>28,498</u>	<u>25,835</u>

Intercompany balances are unsecured, have no fixed date of repayment and are repayable on demand.

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

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Accruals and deferred income	289	374	289	375
	<u>289</u>	<u>374</u>	<u>289</u>	<u>375</u>

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 1 January 2017 (continued)

## 18 Deferred tax asset / (liability)

	Group 2016 £'000	Company 2016 £'000
At 4 January 2016	(247)	159
Transfer to income statement (note 9)	(46)	(19)
Transfer to statement of comprehensive income	2,046	2,046
	<u>1,753</u>	<u>2,186</u>
At 1 January 2017		
	<u>1,753</u>	<u>2,186</u>

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Recognised as:				
Deferred tax (liability) / asset	(393)	(346)	40	60
Netted off pension liability (note 25)	2,146	99	2,146	99
	<u>1,753</u>	<u>(247)</u>	<u>2,186</u>	<u>159</u>

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

A deferred tax asset of £1,746,000 (2015 - £1,849,000) 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.

Deferred tax provided in the financial statements is as follows:

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
(Accelerated) / decelerated capital allowances	(408)	(382)	32	32
Other timing differences	15	36	8	28
Pension timing difference	2,146	99	2,146	99
	<u>1,753</u>	<u>(247)</u>	<u>2,186</u>	<u>159</u>

## Interface Europe Ltd

**Notes forming part of the financial statements for the year ended 1 January 2017 (continued)**

## 19 Provisions for liabilities

Group	Deferred taxation £'000	Restructuring provision £'000	Total £'000
At 4 January 2016	346	91	437
Utilised during the year	-	(91)	(91)
Charged during the year	47	223	270
	<hr/>	<hr/>	<hr/>
At 1 January 2017	393	223	616

	Restructuring provision £'000
Company	
At 4 January 2016	66
Utilised during the year	(66)
Charged during the year	193
	<hr/>
At 1 January 2017	193

Full details of deferred taxation are included at note 18.

**20    Called up share capital**

	2016 Number	2015 Number	2016 £'000	2015 £'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
	<hr/>	<hr/>	<hr/>	<hr/>
	87,346,084	87,346,084	34,166	34,166

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

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

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



# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 1 January 2017 (continued)

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

	2016 £'000	2015 £'000
Operating profit	2,273	4,014
Administration expenses relating to pension scheme	-	(681)
Increase in holiday pay accrual	-	(10)
	<hr/>	<hr/>
Operating profit	2,273	3,323
Profit on sale of fixed assets	(65)	(65)
Depreciation	1,014	880
Decrease / (increase) in stocks	28	(149)
Decrease / (increase) in debtors	4,287	(633)
Decrease in creditors	(4,229)	(98)
Employer contributions to pension liability	(3,187)	(2,803)
Administration expenses relating to pension scheme	586	681
Increase / (decrease) in provisions	132	(246)
Foreign exchange loss / (gain)	119	(37)
	<hr/>	<hr/>
Net cash inflow from operating activities	958	853
	<hr/>	<hr/>

## 22 Reconciliation of net cash outflow to movement in net funds

	2016 £'000	2015 £'000
Increase / (decrease) in cash in the year	280	(215)
Opening net funds	1,579	1,794
	<hr/>	<hr/>
Closing net funds	1,859	1,579
	<hr/>	<hr/>

## 23 Analysis of net funds

	At 4 January 2016 £'000	Cash flow £'000	At 1 January 2017 £'000
Cash at bank and in hand	1,579	280	1,859
	<hr/>	<hr/>	<hr/>

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 1 January 2017 (continued)

## 24 Financial commitments - operating leases

At 1 January 2017, the company had the following minimum lease payments under non-cancellable operating leases:

Group	2016 Land and buildings £'000	2016 Other £'000	2015 Land and buildings £'000	2015 Other £'000
Payments due:				
Within one year	647	327	666	309
In two to five years	1,079	343	1,580	529
After five years	-	-	99	-
	<u>1,726</u>	<u>670</u>	<u>2,345</u>	<u>838</u>
Company				
Payments due:				
Within one year	179	200	210	168
Between two and five years	523	192	686	321
After five years	-	-	99	-
	<u>702</u>	<u>392</u>	<u>995</u>	<u>489</u>

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 1 January 2017 (continued)

## 25 Pension costs

The company operates a defined benefit scheme that pays out pensions at retirement based on service and final salary. The Scheme closed to future accrual on 1 April 2010. The assets of the Scheme are held separately from those of the company.

The funding policy is agreed between the Scheme trustees and the company and is formally set out in a Statement of Funding Principles, Schedule of Contributions and Recovery Plan following each full actuarial valuation.

Contributions of £3,187,000 were made during the year (2015 - £2,803,000). Continuing company contributions have been agreed with the trustees and the company expects to contribute £1,900,000 to its defined benefit pension scheme in 2017.

The numbers below are based on the results of the full actuarial valuation of the scheme as at 5 April 2015. The valuation results have been adjusted to the reporting date, by a qualified independent actuary on a FRS 102 basis, using an approximate roll-forward approach, allowing for benefits paid for members over the period. The projected unit method has been used to calculate the liabilities.

	2016 £'000	2015 £'000
<b>Change in benefit obligation during the year:</b>		
Benefit obligation at 4 January 2016	(113,511)	(122,052)
Movement in year:		
Interest cost	(4,290)	(4,371)
Actuarial (losses) / gains	(26,496)	8,260
Benefits paid from Scheme	4,222	4,652
	<u>(140,075)</u>	<u>(113,511)</u>
<b>Benefit obligation at 1 January 2017</b>	<b>(140,075)</b>	<b>(113,511)</b>
<b>Change in Scheme assets during the year:</b>		
Fair value of Scheme assets at 4 January 2016	112,959	114,934
Movement in year:		
Interest income	4,329	4,003
Actuarial gains / (losses) on Scheme assets	11,788	(3,448)
Employer contributions	3,187	2,803
Administration expenses	(586)	(681)
Benefits paid from Scheme	(4,222)	(4,652)
	<u>127,455</u>	<u>112,959</u>
<b>Fair value of Scheme assets at 1 January 2017</b>	<b>127,455</b>	<b>112,959</b>
<b>Amounts recognised in the statement of financial position:</b>		
Present value of wholly or partly funded obligations	(140,075)	(113,511)
Fair value of Scheme assets	127,455	112,959
	<u>(12,620)</u>	<u>(552)</u>
<b>Scheme deficit</b>	<b>(12,620)</b>	<b>(552)</b>
Related deferred tax asset (note 18)	2,146	99
	<u>(10,474)</u>	<u>(453)</u>
<b>Net liability</b>	<b>(10,474)</b>	<b>(453)</b>

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 1 January 2017 (*continued*)

## 25 Pension costs (*continued*)

### Components of pension expense:

	2016 £'000	2015 £'000
<i>Amount recognised in the income statement</i>		
Administration expenses	(586)	(681)
<i>Recognised in arriving at operating profit</i>	(586)	(681)
Net interest on the defined benefit asset / (liability)	39	(368)
Total recognised in the income statement	(547)	(1,049)
Actual return less expected return on pension scheme assets	11,788	(3,448)
Experience gains and losses arising on the scheme liabilities	(26,496)	8,260
	(14,708)	4,812
<i>Analysis of amount recognised in statement of comprehensive income</i>		
Actuarial (losses) / gains	(14,708)	4,812
<i>Cumulative amount of actuarial losses recognised in the statement of comprehensive income</i>	(35,775)	(21,067)

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 1 January 2017 (continued)

## 25 Pension costs (continued)

### Principal actuarial assumptions:

<i>Assumptions to determine benefit obligations</i>	<b>2016</b>	<b>2015</b>
Discount rate	<b>2.65%</b>	3.85%
Rate of RPI price inflation	<b>3.25%</b>	3.15%
Rate of CPI price inflation	<b>2.25%</b>	2.15%
Rate of pension increases (RPI capped at 5.0%)	<b>3.10%</b>	3.00%
Rate of pension increases (RPI capped at 2.5%)	<b>2.10%</b>	2.05%

### *Assumptions to determine net pension cost*

Discount rate	<b>2.65%</b>	3.85%
Expected long-term rate of return on plan assets	<b>3.44%</b>	4.33%

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

	<b>2016</b>	<b>2015</b>
Members aged 65 (current male life expectancy)	<b>21.6 years</b>	21.5 years
Members aged 45, male life expectancy at age 65 (2015 - Members aged 45, male life expectancy at age 65)	<b>22.9 years</b>	22.8 years

### Scheme assets

<i>Percentage of Scheme assets by asset allocation</i>	<b>2016</b>	<b>2015</b>
Equities	<b>25%</b>	27%
Bonds / other	<b>75%</b>	73%
	<b>100%</b>	100%

<i>Expected return on assets by asset allocation</i>	<b>2016</b>	<b>2015</b>
Equities	<b>5.35%</b>	6.10%
Bonds / other	<b>2.82%</b>	3.68%
	<b>3.44%</b>	4.33%

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 1 January 2017 (continued)

## 25 Pension costs (continued)

*History of experience gains and losses*

	2016 £'000	2015 £'000	2014 £'000	2013 £'000	2012 £'000
Defined benefit obligation	(140,075)	(113,511)	(122,052)	(108,135)	(106,448)
Fair value of Scheme assets	127,455	112,959	114,934	106,381	101,241
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Deficit	(12,620)	(552)	(7,118)	(1,754)	(5,207)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

	2016 £'000	2015 £'000
<b>Statement of financial position reconciliation</b>		
Gross statement of financial position liability at 4 January 2016	(552)	(7,118)
Pension income recognised in income statement in the financial year	(547)	(1,049)
Amounts recognised in statement of comprehensive income in the financial year	(14,708)	4,812
Actual contributions made by the company in the financial year	3,187	2,803
	<u>          </u>	<u>          </u>
Gross statement of financial position liability at 1 January 2017	(12,620)	(552)
	<u>          </u>	<u>          </u>

## 26 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.

## 27 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 Holding BV, a company incorporated in the Netherlands, which is the smallest group of which Interface Europe Ltd is a member.

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 1 January 2017 (*continued*)

## 28 Share based payments

Interface Inc. operates a restricted share 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 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.

	2016 Number	2015 Number
Outstanding at the beginning of the year	49,250	103,250
Granted during the year	25,159	22,000
Surrendered during the year	(1,334)	(10,000)
Vested during the year	(38,916)	(66,000)
	<hr/>	<hr/>
Outstanding at the end of the year	34,159	49,250
	<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 \$16.92 (2015 - \$16.60).

The weighted average fair value of the awards granted during the year was \$17.22 (2015 - \$16.35). The fair value of the awards granted has been calculated by reference to the market value of the Interface Inc. shares at the date of grant.

The share-based remuneration expense (note 6) comprises:

	2016 £'000	2015 £'000
Equity-settled schemes	34	201
	<hr/>	<hr/>

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

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 1 January 2017 (continued)

## 29 Transition to FRS 102

### Group

The group transitioned to FRS 102 from previously extant UK GAAP as at 29 December 2014. The impact from transition to FRS 102 is as follows:

	£'000
<b>Reconciliation of equity at 29 December 2014</b>	
Equity shareholder's funds at 29 December 2014 under previous UK GAAP	50,690
Holiday pay accrual	(52)
	<hr/>
At 29 December 2014	<b>50,638</b>
	<hr/>

	£'000
<b>Reconciliation of equity at 3 January 2016</b>	
Equity shareholder's funds at 3 January 2016 under previous UK GAAP	57,347
Holiday pay accrual	(62)
	<hr/>
At 3 January 2016	<b>57,285</b>
	<hr/>

The following were changes to accounting policies arising from the transition to FRS 102:

### Holiday pay accrual

Under previous UK GAAP, the group did not accrue for holiday pay that was earned but the holiday entitlement was expected to be taken in the subsequent financial year. Under FRS 102, the group is required to accrue for all short-term compensated absences as holiday entitlement earned but not taken at the date of the statement of financial position. The impact is to increase holiday pay accrued by £52,000 and £62,000 for the group at 29 December 2014 and 3 January 2016 respectively.

	£'000
<b>Reconciliation of profit and loss for the year ended 3 January 2016</b>	
Profits for the year ended 3 January 2016 under previous UK GAAP	3,600
Increase in holiday pay accrual	(10)
Amendment of profit and loss charge in relation to actuarial losses on pension scheme assets	(898)
	<hr/>
	<b>2,692</b>
	<hr/>

The following were changes in accounting policies arising from the transition to FRS 102:

### Holiday pay accrual

As a result of the requirement to accrue for holiday that was earned but not taken at the date of the statement of financial position, there is a charge of £10,000 to the income statement for the year ended 3 January 2016, recognising the increase in the holiday pay accrual over the year.

### Inter-company balances

During the year the Directors have re-assessed the terms of the inter-company balances and reclassified these to reflect the underlying agreement that they are repayable on demand.



# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 1 January 2017 (*continued*)

## 29 Transition to FRS 102 (*continued*)

### Company

The group transitioned to FRS 102 from previously extant UK GAAP as at 29 December 2014. The impact from transition to FRS 102 is as follows:

	£'000
<b>Reconciliation of equity at 29 December 2014</b>	
Equity shareholder's funds at 29 December 2014 under previous UK GAAP	47,329
Holiday pay accrual	(22)
	<hr/>
At 29 December 2014	<b>47,307</b>
	<hr/>

	£'000
<b>Reconciliation of equity at 3 January 2016</b>	
Equity shareholder's funds at 3 January 2016 under previous UK GAAP	53,136
Holiday pay accrual	(26)
	<hr/>
At 3 January 2016	<b>53,110</b>
	<hr/>

The following were changes to accounting policies arising from the transition to FRS 102:

### Holiday pay accrual

Under previous UK GAAP, the company did not accrue for holiday pay that was earned but the holiday entitlement was expected to be taken in the subsequent financial year. Under FRS 102, the company is required to accrue for all short-term compensated absences as holiday entitlement earned but not taken at the date of the statement of financial position. The impact is to increase holiday pay accrued by £22,000 and £26,000 for the group at 29 December 2014 and 3 January 2016 respectively.

	£'000
<b>Reconciliation of profit and loss for the year ended 3 January 2016</b>	
Profits for the year ended 3 January 2016 under previous UK GAAP	2,713
Increase in holiday pay accrual	(4)
Amendment of profit and loss charge in relation to actuarial losses on pension scheme assets	(898)
	<hr/>
	<b>1,811</b>
	<hr/>

The following were changes in accounting policies arising from the transition to FRS 102:

### Holiday pay accrual

As a result of the requirement to accrue for holiday that was earned but not taken at the date of the statement of financial position, there is a charge of £4,000 to the income statement for the year ended 3 January 2016, recognising the increase in the holiday pay accrual over the year.

### Inter-company balances

During the year the Directors have re-assessed the terms of the inter-company balances and reclassified these to reflect the underlying agreement that they are repayable on demand.