

Interface Europe Ltd

Report and Financial Statements

Year Ended

29 December 2013

Company Number 00309779

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Interface Europe Ltd

Report and financial statements for the year ended 29 December 2013

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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, Fountain Precinct, Balm Green, Sheffield, S1 2JA

Interface Europe Ltd

Strategic report for the year ended 29 December 2013

The directors present their strategic report together with the audited financial statements for the year ended 29 December 2013.

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, India and the Middle East.

Review of the business and future developments

The profit and loss account is set out on page 7 and shows turnover for the year of £74,541,000 (2012 - £85,711,000) and a profit after taxation for the year of £3,841,000 (2012 - loss of £2,995,000). The profit for the year included income of £575,000 in settlement of a legal claim. The loss for the comparative year included exceptional restructuring costs of £9,709,000, which comprised 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 made a contribution of £4,000,000 towards the cost of the restructuring.

Total group turnover decreased by 13% 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. However overall gross profit as a percentage of sales increased from 22% to 23.3%. Manufacturing costs remain subject to stringent scrutiny and have been reduced wherever possible and have decreased as a percentage of turnover. Selling, distribution and administrative expenses have decreased by 14.6% on the comparative year and have decreased as a percentage of turnover from 19% to 18.7%. Overall the contribution of the business to operating profit has increased by £888,000.

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", 980,000 square metres of product (2012 - 1,028,000 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 39% in 2012 to 26% in 2013.

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 5 in 2013 (2012 - 2).

On 28th February 2014 the sale of the manufacturing and distribution land and buildings completed. In addition the offices, north shed and canteen buildings on the site were also sold and a 15 year lease entered into in relation to these buildings. The sale proceeds for the entire site amounted to £3,700,000 and have not been accrued in these financial statements. The proceeds were in excess of that previously anticipated so £600,000 of an impairment recognised in 2012 has been reversed in 2013.

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, at which sales and marketing, design and development and other support functions are based.

The economic environment for 2014 remains highly uncertain. Overall we expect the sales and profitability to be at similar levels as in 2013. Interface will continue to emphasise on design, and will introduce a wide range of new products and designs in 2014.

Interface Europe Ltd

Strategic report for the year ended 29 December 2013 (continued)

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, such as hospitality, education, healthcare and government. Additionally the company is 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.

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 26 September 2014



S Carlton
Secretary

Interface Europe Ltd

Report of the directors for the year ended 29 December 2013

The directors present their report together with the audited financial statements for the year ended 29 December 2013.

Directors

The directors of the company during the year were:

J Hasselman
L K Parnell
S Carlton

Directors' responsibilities

The directors are responsible for preparing the strategic report, 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;
- 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.

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 £5,555 (2012 - £2,150). Additionally carpet tiles are donated to several charities at £nil cost.

Interface Europe Ltd

Report of the directors for the year ended 29 December 2013 (*continued*)

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

Date 26 September 2014

Interface Europe Ltd

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 29 December 2013 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the reconciliation of movements in shareholders funds, the consolidated and company balance sheets, 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 member 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 member 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 member 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.

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 29 December 2013 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and 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 *(continued)*

Matters on which we are required to report by exception

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

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

BDO ul

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

Date *26 September 2014*

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 29 December 2013

	Note	2013 £'000	2012 £'000
Turnover	3	74,541	85,711
Cost of sales		(57,151)	(66,831)
Gross profit		17,390	18,880
Selling and distribution expenses		(9,681)	(11,049)
Administrative expenses		(4,250)	(5,260)
Operating profit	4	3,459	2,571
Income received towards the costs of a fundamental restructuring	5	-	4,000
Costs of a fundamental restructuring	5	388	(9,709)
Other income		575	-
Profit/(loss) on ordinary activities before finance		4,422	(3,138)
Interest receivable	6	511	470
Interest payable and similar charges	6	(4)	(8)
Other finance income	26	56	399
Profit/(loss) on ordinary activities before taxation		4,985	(2,277)
Taxation on profit/(loss) from ordinary activities	9	(1,144)	(718)
Profit/(loss) on ordinary activities after taxation	21	3,841	(2,995)

The notes on pages 12 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 29 December 2013

	Note	2013 £'000	2012 £'000
Statement of total recognised gains and losses			
Profit/(loss) for the financial year		3,841	(2,995)
FRS 17 actuarial gains	26	710	3,328
Deferred tax effect of actuarial gains	18	(142)	(765)
Deferred tax effect of non actuarial movements	18	(705)	(917)
Current tax in relation to pension contributions in the year		625	674
Currency translation differences on foreign currency net investments	21	7	(9)
		<hr/>	<hr/>
Total recognised gains and losses relating to the year		4,336	(684)
		<hr/>	<hr/>
Reconciliation of movements in shareholder's funds			
Total recognised gains and losses		4,336	(684)
Opening shareholder's funds		50,519	51,203
		<hr/>	<hr/>
Closing shareholder's funds		54,855	50,519
		<hr/>	<hr/>

The notes on pages 12 to 33 form part of the financial statements.

Interface Europe Ltd

Consolidated balance sheet at 29 December 2013

<i>Company number 00309779</i>	Note	2013 £'000	2012 £'000
Fixed assets			
Intangible assets	11	-	346
Tangible assets	12	10,111	7,768
		<u>10,111</u>	<u>8,114</u>
Current assets			
Stocks	14	271	845
Debtors			
- due within one year	15	53,435	54,318
- due after more than one year	15	-	175
Cash at bank and in hand		3,481	1,418
		<u>57,187</u>	<u>56,756</u>
Creditors: amounts falling due within one year	16	(10,907)	(9,676)
Net current assets		<u>46,280</u>	<u>47,080</u>
Total assets less current liabilities		<u>56,391</u>	<u>55,194</u>
Provisions for liabilities	19	(133)	(666)
Net assets excluding pension liability		<u>56,258</u>	<u>54,528</u>
Pension liability	26	(1,403)	(4,009)
Net assets including pension liability		<u>54,855</u>	<u>50,519</u>
Capital and reserves			
Called up share capital	20	34,166	34,166
Share premium account	21	5,276	5,276
Profit and loss account	21	15,413	11,077
Shareholder's funds		<u>54,855</u>	<u>50,519</u>

The financial statements were approved by the Board of Directors and authorised for issue on 26 September 2014



S Carlton
Director

The notes on pages 12 to 33 form part of the financial statements.

Interface Europe Ltd

Company balance sheet at 29 December 2013

Company Number 00309779	Note	2013 £'000	2012 £'000
Fixed assets			
Tangible assets	12	3,442	2,774
Investments	13	22,392	22,392
		<u>25,834</u>	<u>25,166</u>
Current assets			
Stocks	14	271	845
Debtors	15	52,819	50,804
Cash at bank and in hand		3,153	1,115
		<u>56,243</u>	<u>52,764</u>
Creditors: amounts falling due within one year	16	<u>(14,186)</u>	<u>(11,124)</u>
Net current assets		<u>42,057</u>	<u>41,640</u>
Total assets less current liabilities		<u>67,891</u>	<u>66,806</u>
Creditors: amounts falling due after more than one year	17	<u>(14,066)</u>	<u>(14,066)</u>
Net assets excluding pension liability		<u>53,825</u>	<u>52,740</u>
Pension liability	26	<u>(1,403)</u>	<u>(4,009)</u>
Net assets including pension liability		<u>52,422</u>	<u>48,731</u>
Capital and reserves			
Called up share capital	20	34,166	34,166
Share premium account	21	5,276	5,276
Profit and loss account	21	12,980	9,289
Shareholder's funds		<u>52,422</u>	<u>48,731</u>

The financial statements were approved by the Board of Directors and authorised for issue on *26 September 2014*



S Carlton
Director

The notes on pages 12 to 33 form part of the financial statements.

Interface Europe Ltd

Consolidated cash flow statement for the year ended 29 December 2013

	Note	2013 £'000	2012 £'000
Net cash inflow from operating activities	22	4,228	2,267
Returns on investments and servicing of finance			
Interest received		7	4
Interest paid		(4)	(8)
Taxation			
Corporation tax refund/(paid)		309	(761)
Overseas tax paid		(5)	(6)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(2,472)	(736)
Increase in cash	23	2,063	760

The notes on pages 12 to 33 form part of the financial statements.

Interface Europe Ltd

Notes forming part of the financial statements for the year ended 29 December 2013

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 ^{1/3} - 33 ^{1/3} % per annum
Fixtures, fittings and equipment	-	10 - 50% per annum

Operating lease rentals

Annual rentals are charged to the profit and loss account on a straight line basis over the term of the lease.

Interface Europe Ltd

Notes forming part of the financial statements for the year ended 29 December 2013 (continued)

1 Accounting policies (continued)

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, pensions scheme assets are measured using bid prices, and pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus / deficit is split between operating charges, finance items, and, in the statement of total recognised gains and losses, actuarial gains and losses.

Onerous leases

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

Interface Europe Ltd

Notes forming part of the financial statements for the year ended 29 December 2013 (continued)

1 Accounting policies (continued)

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.

Where restricted shares awards are granted to employees they vest with respect to each recipient over a two to five year period from the date of grant, provided the individual remains in the employment or service 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.

2 Comparative figures

The analysis between continuing and discontinued operations for the year ended 30 December 12 is shown below.

	Continuing 2012 £'000	Discontinued 2012 £'000	Total 2012 £'000
Turnover	83,616	2,095	85,711
Cost of sales	(64,946)	(1,885)	(66,831)
Gross profit	18,670	210	18,880
Selling and distribution expenses	(11,049)	-	(11,049)
Administrative expenses	(5,260)	-	(5,260)
Operating profit	2,361	210	2,571

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 29 December 2013 (continued)

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.

	2013 £'000	2012 £'000
Turnover by class of business:		
Distribution of interior floor coverings	61,440	70,314
Toll manufacturing	7,665	8,945
Administrative services	5,436	6,452
	<u>74,541</u>	<u>85,711</u>

	2013 £'000	2012 £'000
Turnover by destination:		
Europe, including United Kingdom	60,908	71,570
Asia/Pacific	6,719	6,464
Other	6,914	7,677
	<u>74,541</u>	<u>85,711</u>

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

4 Operating profit is stated after charging:

	2013 £'000	2012 £'000
Depreciation - owned fixed assets	729	799
Amortisation - intangible fixed assets	346	703
Operating lease rentals:		
- plant and machinery	631	769
- other	505	506
Fees payable to the group's auditors for the audit of the group's financial statements	54	66
Fees payable to the group's auditors and their associates for other services:		
- Tax services	24	24
- Other services pursuant to legislation	17	20
- Audit of the company's subsidiaries	14	14
Share based payment expense (note 29)	77	458
	<u></u>	<u></u>

Interface Europe Ltd

Notes forming part of the financial statements for the year ended 29 December 2013 (continued)

5 Costs of a fundamental restructuring

The restructuring income of £388,000 (2012 – cost 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:

	2013 £'000	2012 £'000
Asset write downs	(600)	5,010
Redundancies	-	3,713
Plant and machinery dismantling and removal costs	-	721
Other	212	265
	<u>(388)</u>	<u>9,709</u>

Interface European Manufacturing BV made a contribution of £4,000,000 towards the cost of the restructuring in the year ended 30 December 2012.

6 Interest

<i>Interest receivable</i>	2013 £'000	2012 £'000
From fellow subsidiary undertakings	504	466
Other interest receivable	7	4
	<u>511</u>	<u>470</u>

<i>Interest payable and similar charges</i>	2013 £'000	2012 £'000
Other interest payable	4	8

Interface Europe Ltd

Notes forming part of the financial statements
for the year ended 29 December 2013 (continued)

7 Employees

Number of employees

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

	2013 Number	2012 Number
Sales, marketing and distribution	72	81
Direct production	114	148
Administration	66	75
Management	27	29
	<u>279</u>	<u>333</u>
Employment costs (including directors):	£'000	£'000
Wages and salaries	11,131	12,592
Social security costs	1,093	1,272
Defined contribution pension and other costs	902	923
Defined benefit pension scheme	-	(167)
	<u>13,126</u>	<u>14,620</u>

8 Information regarding directors

Emoluments

	2013 £'000	2012 £'000
Directors' emoluments consist of:		
Fees and remuneration	478	784
Payments to defined contribution pension scheme	85	139
	<u>563</u>	<u>923</u>

The number of directors in the defined benefit pension scheme was one (2012 - two).

	2013 £'000	2012 £'000
Emoluments (including pension contributions) of the highest paid director were:		
Highest paid director	<u>357</u>	<u>457</u>

During the year the highest paid director made gains on the exercise of share options and restricted share awards in Interface Inc, the ultimate parent company, received under a long term incentive scheme.

Company contributions paid to a money purchase scheme during the year were £25,000 (2012 - £24,000).

During the year one director made gains on the exercise of share options (2012 - two).

During the year one director received shares under long term incentive schemes (2012 - one).

Interface Europe Ltd

Notes forming part of the financial statements
for the year ended 29 December 2013 (continued)

9 Taxation on profit from ordinary activities

	2013 £'000	2012 £'000
<i>Current tax</i>		
UK corporation tax on profits of the year	775	759
Tax underprovided in previous year	121	298
Overseas tax	10	7
Overseas tax underprovided in previous year	1	1
	<hr/>	<hr/>
Total current tax	907	1065
<i>Deferred tax</i>		
Origination and reversal of timing differences (note 18)	237	(347)
	<hr/>	<hr/>
Taxation on profit on ordinary activities	1,144	718
	<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:		
	2013 £'000	2012 £'000
Profit/(loss) on ordinary activities before tax	4,985	(2,277)
	<hr/>	<hr/>
Profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK of 23.25% (2012 - 24.5%)	1,159	(558)
Effects of:		
Expenses not deductible for tax purposes	61	181
Goodwill amortisation not deductible for tax purposes	80	172
Capital allowances in (excess)/deficit of depreciation	(357)	1,080
Short term timing differences	(148)	(47)
Difference in overseas tax rates	(9)	(7)
Use of losses brought forward	-	(54)
Tax underprovided in previous years	121	298
	<hr/>	<hr/>
Current tax charge for year	907	1,065
	<hr/>	<hr/>

Interface Europe Ltd

Notes forming part of the financial statements
for the year ended 29 December 2013 (continued)

10 Company result for the year

The profit attributable to the company which has been dealt with in its own accounts is £3,203,000 (2012 - loss of £1,789,000). 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

Group	Intellectual property rights £'000	Patents and trademarks £'000	Goodwill £'000	Total £'000
<i>Cost</i>				
At 31 December 2012 and 29 December 2013	357	6	14,119	14,482
<i>Amortisation</i>				
At 31 December 2012	357	6	13,773	14,136
Amortisation for the year	-	-	346	346
At 29 December 2013	357	6	14,119	14,482
<i>Net book value</i>				
At 29 December 2013	-	-	-	-
At 30 December 2012	-	-	346	346
Company				
<i>Cost</i>				
At 31 December 2012 and 29 December 2013	357	6	2,887	3,250
<i>Amortisation</i>				
At 31 December 2012 and 29 December 2013	357	6	2,887	3,250
<i>Net book value</i>				
At 30 December 2012 and 29 December 2013	-	-	-	-

Interface Europe Ltd

Notes forming part of the financial statements
for the year ended 29 December 2013 (*continued*)

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 31 December 2012	3,500	12,075	6,792	22,367
Additions	135	2,337	-	2,472
Reclassification	(2,187)	-	2,187	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 29 December 2013	1,448	14,412	8,979	24,839
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 31 December 2012	1,962	7,345	5,292	14,599
Charge for the year	96	633	-	729
Impairment reversal	-	-	(600)	(600)
Reclassification	(977)	-	977	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 29 December 2013	1,081	7,978	5,669	14,728
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 29 December 2013	367	6,434	3,310	10,111
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 December 2012	1,538	4,730	1,500	7,768
	<hr/>	<hr/>	<hr/>	<hr/>

Certain land and buildings were reclassified as assets held for resale at 30 December 2012 as they were being marketed for sale. They were impaired to the expected proceeds at 30 December 2012.

During 2013 the office facilities were also included in the proposed disposal and were reclassified as assets held for resale at the 29 December 2013.

On 28 February 2014 the sale completed. The sale proceeds for the entire site amounted to £3,700,000. The impairment loss of £600,000, recognised in the prior year, has been reversed, increasing the value of the assets held for resale to the original cost as the proceeds were greater than previously anticipated.

Interface Europe Ltd

Notes forming part of the financial statements
for the year ended 29 December 2013 (continued)

12 Tangible fixed assets (continued)

Company	Freehold land and buildings £'000	Assets held for resale £'000	Total £'000
<i>Cost</i>			
At 31 December 2012	2,815	6,792	9,607
Additions	132	-	132
Reclassification	(2,187)	2,187	-
	<hr/>	<hr/>	<hr/>
At 29 December 2013	760	8,979	9,739
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 31 December 2012	1,541	5,292	6,833
Charge for the year	64	-	64
Impairment reversal	-	(600)	(600)
Reclassification	(977)	977	-
	<hr/>	<hr/>	<hr/>
At 29 December 2013	628	5,669	6,297
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 29 December 2013	132	3,310	3,442
	<hr/>	<hr/>	<hr/>
At 30 December 2012	1,274	1,500	2,774
	<hr/>	<hr/>	<hr/>

Interface Europe Ltd

Notes forming part of the financial statements
for the year ended 29 December 2013 (continued)

13 Fixed asset investments - unlisted

Group	Shares in unlisted company £'000		
Cost			
At 31 December 2012 and 29 December 2013			31
Provisions			
At 31 December 2012 and 29 December 2013			31
Net book value			
At 30 December 2012 and 29 December 2013			-
Company	Shares in unlisted company £'000	Shares in subsidiary undertakings £'000	Total £'000
Cost			
At 31 December 2012 and 29 December 2013	31	22,392	22,423
Provisions			
At 31 December 2012 and 29 December 2013	31	-	31
Net book value			
At 30 December 2012 and 29 December 2013	-	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 29 December 2013 (continued)

14 Stocks

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Work in progress	271	845	271	845

15 Debtors

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
<i>Amounts due within one year:</i>				
Trade debtors	11,942	14,874	11,347	14,162
Amounts owed by group undertakings	40,777	38,601	41,107	36,032
Corporation tax	-	151	-	215
Other debtors	229	215	51	39
Prepayments and accrued income	487	477	238	252
	53,435	54,318	52,743	50,700
<i>Amounts due after more than one year:</i>				
Deferred tax (see note 18)	-	175	76	104
	53,435	54,493	52,819	50,804

16 Creditors: amounts falling due within one year

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Trade creditors	1,243	712	455	405
Amounts owed to group undertakings	4,002	3,227	9,576	7,027
Corporation tax	435	-	195	-
Other taxes and social security costs	2,470	2,201	2,099	1,874
Other creditors	1,689	2,908	1,148	1,524
Accruals and deferred income	1,068	628	713	294
	10,907	9,676	14,186	11,124

Interface Europe Ltd

Notes forming part of the financial statements
for the year ended 29 December 2013 (continued)

17 Creditors: amounts falling due after more than one year

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Amounts owed to subsidiary undertakings	-	-	14,066	14,066

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

18 Deferred tax asset

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
At 31 December 2012			1,373	1,303
Transfer to profit and loss account (note 9)			(237)	(29)
Transfer to statement of total recognised gains and losses			(847)	(847)
At 29 December 2013			289	427
	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Recognised as:				
Deferred tax (liability)/asset	(62)	175	76	104
Netted off pension liability (note 26)	351	1,198	351	1,198
	289	1,373	427	1,302

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

A deferred tax asset of £2,100,000 (2012 - £2,400,000) 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.

Interface Europe Ltd

Notes forming part of the financial statements for the year ended 29 December 2013 (continued)

18 Deferred tax asset (continued)

Deferred tax provided in the financial statements is as follows:

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
(Accelerated)/decelerated capital allowances	(73)	163	69	95
Other timing differences	11	12	7	9
Pension timing difference	351	1,198	351	1,198
	<u>289</u>	<u>1,373</u>	<u>427</u>	<u>1,302</u>

19 Provisions for liabilities

	Deferred taxation £'000	Restructuring provision £'000	Total £'000
Group and company			
At 31 December 2012	-	666	666
Transfer from debtors (note 15)	(175)	-	(175)
Utilised during the year	-	(595)	(595)
Charged during the year	237	-	237
	<u>62</u>	<u>71</u>	<u>133</u>
At 29 December 2013			

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.

Full details of deferred taxation are included at note 18.

20 Called up share capital

	2013 Number	2012 Number	2013 £'000	2012 £'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

Interface Europe Ltd

Notes forming part of the financial statements for the year ended 29 December 2013 (continued)

21 Reserves

Group	Share premium account £'000	Profit and loss account £'000
At 31 December 2012	5,276	11,077
Profit for the year	-	3,841
Actuarial gains net of deferred tax	-	568
Deferred tax effect of non actuarial pension movement	-	(705)
Current tax in relation to pension contributions in the year	-	625
Exchange differences	-	7
	<hr/>	<hr/>
At 29 December 2013	5,276	15,413
	<hr/>	<hr/>
Company		
At 31 December 2012	5,276	9,289
Profit for the year	-	3,203
Actuarial gains net of deferred tax	-	568
Deferred tax effect of non actuarial pension movement	-	(705)
Current tax in relation to pension contributions in the year	-	625
	<hr/>	<hr/>
At 29 December 2013	5,276	12,980
	<hr/>	<hr/>

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

	2013 £'000	2012 £'000
Operating profit	3,459	2,571
Costs of a fundamental restructuring (see note 5)	(212)	(4,033)
Other income	575	-
	<hr/>	<hr/>
	3,822	(1,462)
Depreciation	729	799
Amortisation of intangible assets	346	703
Foreign exchange loss/(gain)	7	(9)
Decrease/(increase) in stocks	574	(228)
Decrease in debtors	1,236	6,799
Increase/(decrease) in creditors	796	(1,727)
Employer contributions to pension liability	(2,687)	(2,584)
Decrease in provisions	(595)	(24)
	<hr/>	<hr/>
Net cash inflow from operating activities	4,228	2,267
	<hr/>	<hr/>

Interface Europe Ltd

Notes forming part of the financial statements
for the year ended 29 December 2013 (continued)

23 Reconciliation of net cash inflow to movement in net funds

	2013 £'000	2012 £'000
Increase in cash in the year	2,063	760
Opening net funds	1,418	658
	<u> </u>	<u> </u>
Closing net funds	<u>3,481</u>	<u>1,418</u>

24 Analysis of net funds

	At 31 December 2012 £'000	Cash flow £'000	At 29 December 2013 £'000
Cash at bank and in hand	1,418	2,063	3,481
	<u> </u>	<u> </u>	<u> </u>

25 Financial commitments - operating leases

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

	2013 Land and buildings £'000	2013 Other £'000	2012 Land and buildings £'000	2012 Other £'000
Group				
Expiry date:				
Within one year	34	74	134	43
Between two and five years	351	214	419	237
After five years	28	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>413</u>	<u>288</u>	<u>553</u>	<u>280</u>
Company				
Expiry date:				
Within one year	34	37	134	22
Between two and five years	111	105	152	123
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>145</u>	<u>142</u>	<u>286</u>	<u>145</u>

Interface Europe Ltd

Notes forming part of the financial statements for the year ended 29 December 2013 (continued)

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 2012 and updated to 29 December 2013 by a qualified independent actuary on a FRS17 basis.

Contributions of £2,687,000 were made during the year (2012 - £2,751,000). It has been agreed with the trustees that the company will continue to contribute to the Scheme at current levels, and contributions of £2,794,000 are expected to be paid in 2014.

Details of the Scheme are given below:

	2013 £'000	2012 £'000
Change in benefit obligation during the year:		
Benefit obligation at 31 December 2012	(106,448)	(101,954)
Movement in year:		
Interest cost	(4,580)	(4,799)
Actuarial losses	(1,854)	(3,536)
Benefits paid from Scheme	4,747	4,008
Losses on curtailment	-	(167)
	<u>(108,135)</u>	<u>(106,448)</u>
Change in Scheme assets during the year:		
Fair value of Scheme assets at 31 December 2012	101,241	90,436
Movement in year:		
Expected return on Scheme assets	4,636	5,198
Actuarial gains on Scheme assets	2,564	6,864
Employer contributions	2,687	2,751
Benefits paid from Scheme	(4,747)	(4,008)
	<u>106,381</u>	<u>101,241</u>
Fair value of Scheme assets at 29 December 2013	<u>106,381</u>	<u>101,241</u>
Amounts recognised in the balance sheet:		
Present value of wholly or partly funded obligations	(108,135)	(106,448)
Fair value of Scheme assets	106,381	101,241
	<u>(1,754)</u>	<u>(5,207)</u>
Scheme deficit	(1,754)	(5,207)
Related deferred tax asset (note 18)	351	1,198
	<u>(1,403)</u>	<u>(4,009)</u>
Net liability	(1,403)	(4,009)

Interface Europe Ltd

Notes forming part of the financial statements
for the year ended 29 December 2013 (continued)

26 Pension costs (continued)

Components of pension income:	2013	2012
<i>Amount recognised in profit and loss statement</i>	£'000	£'000
<i>Included in other income</i>		
Interest on pension liabilities	(4,580)	(4,799)
Expected return on Scheme assets	4,636	5,198
	<hr/>	<hr/>
Other finance income	56	399
<i>Included in administrative expenses</i>		
Losses on curtailments and settlements	-	(167)
	<hr/>	<hr/>
Total pension credit recognised in the year	56	232
	<hr/>	<hr/>
Actual return less expected return on pension scheme assets	2,564	6,864
Experience gains and losses arising on the scheme liabilities	1,301	-
Changes in assumptions underlying the present value of scheme liability	(3,155)	(3,536)
	<hr/>	<hr/>
	710	3,328
	<hr/>	<hr/>
<i>Analysis of amount recognised in statement of total recognised gains and losses ("STRGL")</i>		
Actuarial gains	710	3,328
	<hr/>	<hr/>
<i>Cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses</i>	(16,975)	(17,685)
	<hr/>	<hr/>

Interface Europe Ltd

Notes forming part of the financial statements for the year ended 29 December 2013 (continued)

26 Pension costs (continued)

Principal actuarial assumptions:

<i>Assumptions to determine benefit obligations</i>	2013	2012
Discount rate	4.60%	4.40%
Rate of RPI price inflation	3.55%	2.85%
Rate of CPI price inflation	2.55%	2.15%
Rate of pension increases (LPI capped at 5.0%)	3.35%	2.80%
Rate of pension increases (LPI capped at 2.5%)	2.20%	1.95%

Assumptions to determine net pension cost

Discount rate	4.60%	4.40%
Expected long-term rate of return on plan assets	5.63%	5.21%

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

	2013	2012
Members aged 65 (current male life expectancy)	21.5 years	21.1 years
Members aged 45, male life expectancy at age 62 (2012 - Members aged 40, male life expectancy at age 65)	22.9 years	23.0 years

Scheme assets

<i>Percentage of Scheme assets by asset allocation</i>	2013	2012
Equities	48%	53%
Bonds / other	52%	47%
	100%	100%

Expected return on assets by asset allocation

	2013	2012
Equities	7.10%	6.25%
Bonds / other	4.27%	4.02%
	5.63%	5.21%

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 29 December 2013 (continued)

26 Pension costs (continued)

History of experience gains and losses

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Defined benefit obligation	(108,135)	(106,448)	(101,954)	(99,804)	(95,197)
Fair value of Scheme assets	106,381	101,241	90,436	92,389	84,712
Deficit	(1,754)	(5,207)	(11,518)	(7,415)	(10,485)

Difference between the expected and actual return on Scheme assets

	2013	2012	2011	2010	2009
Amount	2,564	6,864	(4,917)	6,263	9,980
Percentage of Scheme assets	2%	7%	(6)%	7%	12%

Experience gains and losses on Scheme liabilities

	2013	2012	2011	2010	2009
Amount	1,301	-	-	-	(3,540)
Percentage of Scheme liabilities	1%	-	-	-	(4%)

Balance sheet reconciliation

	2013 £'000	2012 £'000
Gross balance sheet liability at 31 December 2012	(5,207)	(11,518)
Pension income recognised in profit and loss account in the financial year	56	232
Amounts recognised in STRGL in the financial year	710	3,328
Actual contributions made by the company in the financial year	2,687	2,751
Gross balance sheet liability at 29 December 2013	(1,754)	(5,207)

Interface Europe Ltd

Notes forming part of the financial statements for the year ended 29 December 2013 (continued)

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 Holding 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 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 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.

	2013 Number	2012 Number
Outstanding at the beginning of the year	162,138	117,643
Granted during the year	48,500	60,000
Surrendered during the year	(42,500)	(1,167)
Vested during the year	(24,638)	(14,338)
	<hr/>	<hr/>
Outstanding at the end of the year	143,500	162,138
	<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 \$16.86 (2012 - \$12.68).

The weighted average fair value of the awards granted during was \$16.06 (2012 - \$13.25). 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 29 December 2013 (continued)

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) 2013	Number 2013	Weighted average exercise price (pence) 2012	Number 2012
Outstanding at the beginning of the year	10.63	12,500	11.04	27,000
Cancelled during the year	-	-	12.43	(5,000)
Exercised during the year	10.63	(12,500)	10.83	(9,500)
		<hr/>		<hr/>
Outstanding at the end of the year	-	-	10.63	12,500
		<hr/>		<hr/>

There were no options outstanding at the end of the year. The exercise price of options outstanding at the end of the prior year ranged between \$2.71 and \$14.13 and their weighted average contractual life was 7.0 years.

The weighted average share price (at the date of exercise) of options exercised during the year was \$18.56 (2012 - \$14.22). No options were granted during the current or prior year.

The share-based remuneration expense (note 3) comprises:

	2013 £'000	2012 £'000
Equity-settled schemes	77	458
	<hr/>	<hr/>

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

30 Post balance sheet events

On 28 February 2014 land and buildings with a net book value of £3,310,000 representing the manufacturing and office facilities at the Shelf site were sold for £3,700,000.

At the same time a 15 year lease was entered into in relation to the offices, north shed and canteen.