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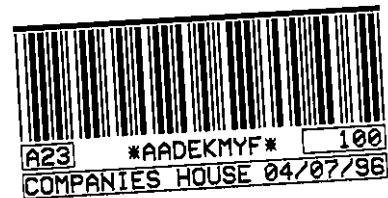


Interface Europe Limited

Report and Financial Statements

52 weeks ended

31 December 1995



IBDO

BDO Stoy Hayward
Chartered Accountants

INTERFACE EUROPE LIMITED

Annual report and financial statements for the 52 weeks ended 31 December 1995

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Directors

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Directors

R C Anderson (Chairman)
D G Thomas
J P Walker
J Hasselman
H van Beers
J H Walker
J Partridge

Secretary and registered office

A G Stockwell, Shelf Mills, Halifax, West Yorkshire, HX3 7PA.

Company number

00309779

Auditors

BDO Stoy Hayward, 8 Baker Street, London, W1M 1DA.

INTERFACE EUROPE LIMITED

Report of the directors for the 52 weeks ended 31 December 1995

The directors present their report together with the audited financial statements for the 52 weeks ended 31 December 1995.

Results and dividends

The directors do not recommend payment of a dividend for the 52 weeks ended 31 December 1995 (1 January 1995 - £Nil).

The profit of £3,576,000 for the period (1 January 1995 £2,462,000) will be credited to reserves.

Principal activities, trading review and future developments

The group's principal activity continues to be the manufacture and distribution of carpets and carpet tiles. The directors consider that both the results for the period and the trading prospects are satisfactory.

Fixed assets

Details of movements in fixed assets during the period are set out in notes 9 to 11 to the financial statements.

Post balance sheet event

On 31 March 1996, Interface Europe Limited sold Sanquhar Tile Services Limited for £882,000. Prior to completion a dividend of £1,198,000 was distributed to Interface Europe Limited.

Research and development

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

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.

INTERFACE EUROPE LIMITED

Report of the directors for the 52 weeks ended 31 December 1995 *(Continued)*

Directors

The directors of the company during the period were:

| | |
|---------------|------------------------------|
| R C Anderson | (Chairman) |
| D G Thomas | |
| D E Russell | (resigned 15 August 1995) |
| A T Hill | (resigned 17 February 1995) |
| W G McWhirter | (resigned 15 August 1995) |
| G D Mallinson | (resigned 1 December 1995) |
| J P Walker | |
| J Hasselman | (appointed 17 February 1995) |
| H van Beers | (appointed 17 February 1995) |
| J H Walker | (appointed 17 February 1995) |
| J Partridge | (appointed 17 February 1995) |

The directors had no interests in the share capital of this company or any other group company incorporated in Great Britain at any time during the period.

Directors' responsibilities

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

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

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

Auditors

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board

J Hasselman

Director

Date 14.6.96

INTERFACE EUROPE LIMITED

Report of the auditors

To the shareholders of Interface Europe Limited

We have audited the financial statements on pages 4 to 29 which have been prepared under the accounting policies set out on pages 9 to 11.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

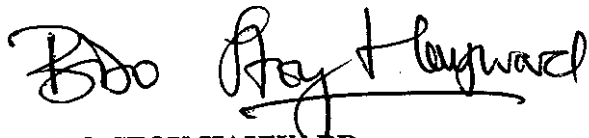
Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the company and of the group as at 31 December 1995 and of the profit of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO STOY HAYWARD
*Chartered Accountants
and Registered Auditors*
London

14 June 1996

INTERFACE EUROPE LIMITED

Consolidated profit and loss account for the 52 weeks ended 31 December 1995

| | Note | 52 weeks ended 31 December 1995 £'000 | 52 weeks ended 1 January 1995 £'000 |
|---|------|---|---|
| Turnover | 2 | 93,814 | 91,887 |
| Change in stocks of finished goods and work in progress | | 1,196 | (139) |
| Other operating income | | - | 232 |
| | | <hr/> | <hr/> |
| | | 95,010 | 91,980 |
| Raw materials and consumables | | 57,191 | 52,862 |
| Other external charges | | 3,088 | 3,443 |
| Staff costs | 6 | 14,282 | 13,421 |
| Depreciation and amounts written off intangible assets | | 1,914 | 1,994 |
| Other operating charges | | 13,743 | 14,324 |
| | | <hr/> | <hr/> |
| Operating profit | 3 | 4,792 | 5,936 |
| Interest receivable and similar income | 4 | 1,724 | 1,905 |
| Interest payable and similar charges | 4 | (1,597) | (1,906) |
| Exchange gain/(loss) | | 120 | (1,281) |
| | | <hr/> | <hr/> |
| Profit on ordinary activities before taxation | | 5,039 | 4,654 |
| Taxation on profit on ordinary activities | 7 | 1,463 | 2,192 |
| | | <hr/> | <hr/> |
| Profit on ordinary activities after taxation | 18 | 3,576 | 2,462 |
| | | <hr/> | <hr/> |

The notes on pages 9 to 29 form part of these financial statements

All amounts relate to continuing activities.

INTERFACE EUROPE LIMITED

Statement of total recognised gains and losses and reconciliation of movements in shareholders' funds for the 52 weeks ended 31 December 1995

| | Note | 52 weeks ended 31 December 1995 £'000 | 52 weeks ended 1 January 1995 £'000 |
|---|------|---|---|
| Profit for the financial period | | 3,576 | 2,462 |
| Currency translation differences on foreign currency net investments | 18 | 6 | 4 |
| | | <hr/> | <hr/> |
| Total recognised gains and losses | | 3,582 | 2,466 |
| Opening shareholders' funds | | 53,771 | 51,305 |
| | | <hr/> | <hr/> |
| Closing shareholders' funds | | <u>57,353</u> | <u>53,771</u> |

The notes on pages 9 to 29 form part of these financial statements

INTERFACE EUROPE LIMITED

Balance sheet at 31 December 1995 - Group

| | Note | 31 December 1995 | | 1 January 1995 | |
|--|------|------------------|---------|----------------|---------|
| | | £'000 | £'000 | £'000 | £'000 |
| Fixed assets | | | | | |
| Intangible assets | 9 | | 12,415 | | 13,116 |
| Tangible assets | 10 | | 10,554 | | 9,752 |
| Investments | 11 | | 16,737 | | 16,737 |
| | | | <hr/> | | <hr/> |
| | | | 39,706 | | 39,605 |
| Current assets | | | | | |
| Stocks | 12 | 11,730 | | 11,798 | |
| Debtors | 13 | 40,289 | | 49,551 | |
| Cash at bank and in hand | | 318 | | 647 | |
| | | <hr/> | | <hr/> | |
| | | | 52,337 | | 61,996 |
| Creditors: amounts falling due within one year | 14 | (32,939) | | (44,707) | |
| | | <hr/> | | <hr/> | |
| Net current assets | | | 19,398 | | 17,289 |
| | | | <hr/> | | <hr/> |
| Total assets less current liabilities | | | 59,104 | | 56,894 |
| Creditors: amounts falling due after more than one year | 15 | | (1,467) | | (1,133) |
| Provisions for liabilities and charges | 16 | | (284) | | (1,990) |
| | | | <hr/> | | <hr/> |
| Net assets | | | 57,353 | | 53,771 |
| | | | <hr/> | | <hr/> |
| Capital and reserves | | | | | |
| Called up share capital | 17 | | 14,216 | | 14,216 |
| Share premium account | 18 | | 5,276 | | 5,276 |
| Profit and loss account | 18 | | 21,302 | | 17,720 |
| Revaluation reserve | 18 | | 16,559 | | 16,559 |
| | | | <hr/> | | <hr/> |
| Shareholders' funds - equity | | | 57,353 | | 53,771 |
| | | | <hr/> | | <hr/> |

The notes on pages 9 to 29 form part of these financial statements

INTERFACE EUROPE LIMITED

Balance sheet at 31 December 1995 - company

| | Note | 31 December 1995 | | 1 January 1995 | |
|--|------|------------------|----------|----------------|----------|
| | | £'000 | £'000 | £'000 | £'000 |
| Fixed assets | | | | | |
| Intangible assets | 9 | | 106 | | 119 |
| Tangible assets | 10 | | 10,196 | | 9,434 |
| Investments | 11 | | 26,823 | | 26,823 |
| | | | <hr/> | | <hr/> |
| | | | 37,125 | | 36,376 |
| Current assets | | | | | |
| Stocks | 12 | 11,113 | | 11,329 | |
| Debtors | 13 | 38,730 | | 48,308 | |
| Cash at bank and in hand | | 7 | | 89 | |
| | | <hr/> | | <hr/> | |
| | | 49,850 | | 59,726 | |
| Creditors: amounts falling due within one year | 14 | (37,687) | | (49,272) | |
| | | <hr/> | | <hr/> | |
| Net current assets | | | 12,163 | | 10,454 |
| | | | <hr/> | | <hr/> |
| Total assets less current liabilities | | | 49,288 | | 46,830 |
| Creditors: amounts falling due after more than one year | 15 | | (15,642) | | (15,289) |
| Provisions for liabilities and charges | 16 | | (322) | | (2,039) |
| | | | <hr/> | | <hr/> |
| Net assets | | | 33,324 | | 29,502 |
| | | | <hr/> | | <hr/> |
| Capital and reserves | | | | | |
| Called up share capital | 17 | | 14,216 | | 14,216 |
| Share premium account | 18 | | 5,276 | | 5,276 |
| Profit and loss account | 18 | | 13,832 | | 10,010 |
| | | | <hr/> | | <hr/> |
| Shareholders' funds - equity | | | 33,324 | | 29,502 |
| | | | <hr/> | | <hr/> |

The financial statements were approved by the Board on 14 June 1996

J Hasselman
Director

The notes on pages 9 to 29 form part of these financial statements

INTERFACE EUROPE LIMITED

Consolidated cash flow statement for the 52 weeks ended 31 December 1995

| | Note | 52 weeks ended 31 December 1995 | | 52 weeks ended 1 January 1995 | |
|--|------|------------------------------------|---------|----------------------------------|---------|
| | | £'000 | £'000 | £'000 | £'000 |
| Net cash inflow from operating activities | 19 | | 2,189 | | 11,402 |
| Returns on investments and servicing of finance | | | | | |
| Interest received | | 10,069 | | 55 | |
| Interest paid | | (1,340) | | (1,101) | |
| Net cash inflow/(outflow) from returns on investment and servicing of finance | | | 8,729 | | (1,046) |
| Taxation | | | | | |
| UK taxation paid | | | (430) | | (631) |
| Investing activities | | | | | |
| Purchase of tangible fixed assets | | (2,015) | | (2,295) | |
| Sale of tangible fixed assets | | 8 | | 49 | |
| Net cash outflow from investing activities | | | (2,007) | | (2,246) |
| Net cash inflow before financing | | | 8,481 | | 7,479 |
| Financing | | | | | |
| New loans issued | | 5,600 | | - | |
| Repayments of loans | | (14,711) | | (7,259) | |
| Net cash outflow from financing | 22 | | (9,111) | | (7,259) |
| (Decrease)/increase in cash and cash equivalents | 21 | | (630) | | 220 |

The notes on pages 9 to 29 form part of these financial statements

INTERFACE EUROPE LIMITED

Notes forming part of the financial statements for the 52 weeks ended 31 December 1995

1 Accounting policies

The financial statements are prepared under the historical cost convention with the exception of certain investments carried at valuation, and are in accordance with applicable accounting standards.

Basis of consolidation

The group financial statements consolidate the financial statements of Interface Europe Limited and all its subsidiary undertakings made up to the balance sheet date.

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

Acquisitions

The results of companies acquired during the period are dealt with from the date of acquisition using the principles of acquisition accounting. The fair value of total consideration is used to calculate the goodwill arising on consolidation. Goodwill is capitalised and amortised over its expected useful economic life.

Investments

Investments are stated at cost less provision for permanent diminution in value or 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% |
| Plant and machinery | - | 8 $\frac{1}{3}$ % to 20% |
| Motor vehicles | - | 20% to 33 $\frac{1}{3}$ % |

Leased assets

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

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

Government grants

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

INTERFACE EUROPE LIMITED

Notes forming part of the financial statements for the 52 weeks ended 31 December 1995 (*Continued*)

1 Accounting policies (*Continued*)

Research and development

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

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

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

Intangible assets

Goodwill, patents and trade marks are amortised on a straight line basis over twenty years which the directors consider to be their useful economic lives.

Stocks and work in progress

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

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

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

Foreign currency translation

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

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes to the extent that it is probable that a liability or asset will crystallise.

INTERFACE EUROPE LIMITED

Notes forming part of the financial statements for the 52 weeks ended 31 December 1995 (*Continued*)

1 Accounting policies (*Continued*)

Pensions

The regular cost of providing retirement pensions and related benefits is charged to the profit and loss account over the employees' service lives on the basis of a constant percentage of earnings. Variations from regular cost, arising from periodic actuarial valuations are allocated over the expected remaining service lives of current employees on the basis of a constant percentage of current and estimated future earnings. The difference between the charge to the profit and loss account and the contributions paid to the schemes is shown as an asset or a liability in the balance sheet.

2 Turnover

Turnover is derived from a single class of business carried out in the UK, that of the manufacture and distribution of carpet and carpet tiles, and can be analysed by destination as follows:

| | 52 weeks ended 31 December 1995 £'000 | 52 weeks ended 1 January 1995 £'000 |
|----------------------|---|---|
| United Kingdom | 63,444 | 63,887 |
| Other EC countries | 24,495 | 23,594 |
| Europe other than EC | 576 | 228 |
| The Americas | 1,511 | 722 |
| Middle East | 1,141 | 1,091 |
| Far East | 2,043 | 2,105 |
| Africa and Australia | 604 | 260 |
| | <hr/> | <hr/> |
| | 93,814 | 91,887 |
| | <hr/> | <hr/> |

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

| | | |
|---|-------|-------|
| Research and development expenditure | 168 | 92 |
| Depreciation-owned fixed assets | 1,213 | 1,269 |
| Amortisation-intangible fixed assets | 701 | 725 |
| Operating lease rentals: | | |
| Plant and machinery | 1,293 | 1,215 |
| Other | 258 | 240 |
| Auditors' remuneration | | |
| - audit | 54 | 43 |
| - non audit | - | 64 |
| Profit on sale of fixed assets | (8) | (11) |
| Loss on sale of fixed asset investments | - | 2 |
| Government grants released | (231) | (231) |
| | <hr/> | <hr/> |

INTERFACE EUROPE LIMITED

Notes forming part of the financial statements for the 52 weeks ended 31 December 1995 (*Continued*)

4 Interest

| | 52 weeks ended 31 December 1995 £'000 | 52 weeks ended 1 January 1995 £'000 |
|-------------------------------------|---|---|
| Interest receivable | | |
| From fellow subsidiary undertakings | 1,719 | 1,880 |
| From others | 5 | 25 |
| | <hr/> | <hr/> |
| | 1,724 | 1,905 |
| | <hr/> | <hr/> |
| Interest payable | | |
| To parent undertaking | 1,272 | 1,847 |
| To fellow subsidiary undertakings | 258 | 33 |
| To others | 67 | 26 |
| | <hr/> | <hr/> |
| | 1,597 | 1,906 |
| | <hr/> | <hr/> |

All interest is on loans and overdrafts repayable within five years not by instalments.

5 Information regarding directors

Share interests

The directors had no interests in the share capital of this company or any other group company incorporated in Great Britain at any time during the period.

Emoluments

| | 52 weeks ended 31 December 1995 £'000 | 52 weeks ended 1 January 1995 £'000 |
|-----------------------|---|---|
| Directors' emoluments | 395 | 373 |
| | <hr/> | <hr/> |

INTERFACE EUROPE LIMITED

Notes forming part of the financial statements for the 52 weeks ended 31 December 1995 (Continued)

5 Information regarding directors (Continued)

Bandings

Emoluments (excluding pension contributions) were

| | 52 weeks ended 31 December 1995 £'000 | 52 weeks ended 1 January 1995 £'000 |
|-----------------------|---|---|
| Chairman | - | - |
| Highest paid director | 128 | 117 |

Other directors' remuneration fell within the following bands:

| | Number | Number |
|---------------------|--------|--------|
| £ 0 - £ 5,000 | 2 | 1 |
| £ 5,001 - £ 10,000 | 2 | 1 |
| £ 10,001 - £ 15,000 | 1 | - |
| £ 20,001 - £ 25,000 | 1 | - |
| £ 35,001 - £ 40,000 | 1 | - |
| £ 55,001 - £ 60,000 | 1 | - |
| £ 60,001 - £ 65,000 | - | 1 |
| £ 90,001 - £ 95,000 | - | 2 |
| £115,001 - £120,000 | 1 | - |

Termination costs totalling £260,000 were paid to directors resigning during the period.

6 Employees

Number of employees

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

| | 52 weeks ended 31 December 1995 Number | 52 weeks ended 1 January 1995 Number |
|------------------------|--|--|
| Direct labour | 356 | 351 |
| Office and supervision | 266 | 268 |
| Management | 31 | 33 |
| | 653 | 652 |

INTERFACE EUROPE LIMITED

Notes forming part of the financial statements for the 52 weeks ended 31 December 1995 *(Continued)*

6 Employees *(Continued)*

| | 52 weeks ended 31 December 1995 £'000 | 52 weeks ended 1 January 1995 £'000 |
|--|---|---|
| Employment costs (including directors) | | |
| Wages and salaries (includes directors' termination costs) | 12,655 | 12,053 |
| Social security costs | 991 | 1,052 |
| Pension and other costs | 636 | 316 |
| | <hr/> | <hr/> |
| | 14,282 | 13,421 |
| | <hr/> | <hr/> |

7 Taxation

UK current year taxation

| | | |
|---|-------|-------|
| UK corporation tax at 33 % | 1,688 | 2,423 |
| Transfer from deferred taxation account | (5) | (224) |
| | <hr/> | <hr/> |
| | 1,683 | 2,199 |

Prior years

| | | |
|---|---------|-------|
| UK corporation tax | 1,481 | 1 |
| Transfer from deferred taxation account | (1,701) | (8) |
| | <hr/> | <hr/> |
| | 1,463 | 2,192 |
| | <hr/> | <hr/> |

INTERFACE EUROPE LIMITED

Notes forming part of the financial statements for the 52 weeks ended 31 December 1995 (*Continued*)

8 Company profit for the year

The profit attributable to the company which has been dealt with in its own accounts is £3,822,000 (1 January 1995 - £2,915,000).

9 Intangible fixed assets

| Group | Patents and Trademarks £'000 | Goodwill £'000 | Total £'000 |
|--|------------------------------------|-------------------|----------------|
| <i>Cost</i> | | | |
| At 2 January 1995 and at 31 December 1995 | 116 | 14,114 | 14,230 |
| <i>Provisions</i> | | | |
| At 2 January 1995 | 17 | 1,097 | 1,114 |
| Amortisation for the period | 11 | 690 | 701 |
| At 31 December 1995 | 28 | 1,787 | 1,815 |
| <i>Net book value</i> | | | |
| At 31 December 1995 | 88 | 12,327 | 12,415 |
| At 1 January 1995 | 99 | 13,017 | 13,116 |

INTERFACE EUROPE LIMITED

Notes forming part of the financial statements for the 52 weeks ended 31 December 1995 (*Continued*)

9 Intangible fixed assets (*Continued*)

| Company | Patents and Trademarks £'000 | Goodwill £'000 | Total £'000 |
|--|------------------------------------|-------------------|----------------|
| <i>Cost</i> | | | |
| 2 January 1995 and at 31 December 1995 | 116 | 45 | 161 |
| | <hr/> | <hr/> | <hr/> |
| <i>Provisions</i> | | | |
| At 2 January 1995 | 17 | 25 | 42 |
| Amortisation for the period | 11 | 2 | 13 |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 1995 | 28 | 27 | 55 |
| | <hr/> | <hr/> | <hr/> |
| <i>Net book value</i> | | | |
| At 31 December 1995 | 88 | 18 | 106 |
| | <hr/> | <hr/> | <hr/> |
| At 1 January 1995 | 99 | 20 | 119 |
| | <hr/> | <hr/> | <hr/> |

INTERFACE EUROPE LIMITED

Notes forming part of the financial statements for the 52 weeks ended 31 December 1995 (*Continued*)

10 Tangible fixed assets

| Group | Freehold land and buildings £'000 | Plant and machinery £'000 | Motor vehicles £'000 | Total £'000 |
|------------------------------------|--|---------------------------------|----------------------------|----------------|
| <i>Cost</i> | | | | |
| At 2 January 1995 | 4,679 | 14,543 | 11 | 19,233 |
| Reclassification | 166 | (155) | (11) | - |
| Additions | 385 | 1,630 | - | 2,015 |
| Disposals | (223) | (212) | - | (435) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 December 1995 | 5,007 | 15,806 | - | 20,813 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| <i>Depreciation</i> | | | | |
| At 2 January 1995 | 702 | 8,774 | 5 | 9,481 |
| Reclassification | 166 | (161) | (5) | - |
| Charge for the period | 110 | 1,103 | - | 1,213 |
| Disposals | (223) | (212) | - | (435) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 December 1995 | 755 | 9,504 | - | 10,259 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| <i>Net book value</i> | | | | |
| At 31 December 1995 (owned assets) | 4,252 | 6,302 | - | 10,554 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 1 January 1995 (owned assets) | 3,977 | 5,769 | 6 | 9,752 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

INTERFACE EUROPE LIMITED

Notes forming part of the financial statements for the 52 weeks ended 31 December 1995 (*Continued*)

10 Tangible fixed assets (*Continued*)

Company

| | Freehold land and buildings £'000 | Plant and machinery £'000 | Motor vehicles £'000 | Total £'000 |
|------------------------------------|--|---------------------------------|----------------------------|----------------|
| <i>Cost</i> | | | | |
| At 2 January 1995 | 4,384 | 13,552 | 11 | 17,947 |
| Reclassification | 166 | (155) | (11) | - |
| Additions | 381 | 1,536 | - | 1,917 |
| Disposals | (223) | (175) | - | (398) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 December 1995 | 4,708 | 14,758 | - | 19,466 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| <i>Depreciation</i> | | | | |
| At 2 January 1995 | 639 | 7,869 | 5 | 8,513 |
| Reclassification | 166 | (161) | (5) | - |
| Charge for the period | 103 | 1,052 | - | 1,155 |
| Disposals | (223) | (175) | - | (398) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 December 1995 | 685 | 8,585 | - | 9,270 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| <i>Net book value</i> | | | | |
| At 31 December 1995 (owned assets) | 4,023 | 6,173 | - | 10,196 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 1 January 1995 (owned assets) | 3,745 | 5,683 | 6 | 9,434 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

INTERFACE EUROPE LIMITED

Notes forming part of the financial statements for the 52 weeks ended 31 December 1995 (*Continued*)

10 Tangible fixed assets (*Continued*)

Capital commitments

The directors had authorised capital expenditure as follows:

| | 31 December 1995 £'000 | 1 January 1995 £'000 |
|-----------------------------------|---------------------------|-------------------------|
| Authorised but not contracted for | 552 | 353 |

11 Fixed asset investment

Group

Investment
listed on a
recognised
Stock Exchange
not in the UK
£'000

Cost

At 2 January 1995 and at 31 December 1995

178

Revaluation

At 2 January 1995 and at 31 December 1995

16,559

Net book value

At 31 December 1995

16,737

At 1 January 1995

16,737

The trade investment listed on a recognised stock exchange is the investment in the ultimate parent undertaking, Interface Inc. The investment is valued at the cost to Interface Europe Limited, when transferred from a fellow group company. (The inter-company profit on this transfer is included in the revaluation reserve in the group accounts). The market value of the trade investment listed on a recognised stock exchange at 31 December 1995 was £39,535,000 (1 January 1995 - £28,567,000).

INTERFACE EUROPE LIMITED

Notes forming part of the financial statements for the 52 weeks ended 31 December 1995 (*Continued*)

11 Fixed asset investments (*Continued*)

Company

| | Investment listed on a recognised Stock Exchange not in the UK £'000 | Shares in subsidiary undertakings £'000 | Loans to subsidiary undertakings £'000 | Total £'000 |
|--|---|--|---|-------------------|
| <i>Cost</i> | | | | |
| At 2 January 1995 and at 31 December 1995 | 16,737 | 23,155 | 3,159 | 43,051 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| <i>Provisions</i> | | | | |
| At 2 January 1995 and at 31 December 1995 | - | 14,069 | 2,159 | 16,228 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| <i>Net book value</i> | | | | |
| At 31 December 1995 | 16,737 | 9,086 | 1,000 | 26,823 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| At 1 January 1995 | 16,737 | 9,086 | 1,000 | 26,823 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

INTERFACE EUROPE LIMITED

Notes forming part of the financial statements for the 52 weeks ended 31 December 1995 *(Continued)*

11 Fixed asset investment *(Continued)*

Subsidiary undertakings

| Company | Country of registration or incorporation | Nature of business | Shares held class | % |
|--|--|------------------------------------|-------------------|-----|
| Carpets International Overseas Limited | England and Wales | Dormant | Ordinary | 100 |
| Aylesbury Residual Limited | England and Wales | In process of closure | Ordinary | 100 |
| Sanquhar Tile Services Limited | Scotland | Commission backers of carpet tiles | Ordinary | 100 |
| Guilford of Maine (UK) Limited | England and Wales | Supply of office interior fabrics | Ordinary | 100 |
| Shelf Investments Limited | England and Wales | Dormant | Ordinary | 100 |
| Interface Ireland Limited | Ireland | Supply of carpet tiles | Ordinary | 100 |

INTERFACE EUROPE LIMITED

Notes forming part of the financial statements for the 52 weeks ended 31 December 1995 (Continued)

12 Stocks

| | Group | | Company | |
|-------------------------------------|---------------|---------------|---------------|---------------|
| | 31.12.95 | 1.1.95 | 31.12.95 | 1.1.95 |
| | £'000 | £'000 | £'000 | £'000 |
| Raw materials and consumables | 2,565 | 3,358 | 2,325 | 3,241 |
| Work in progress | 537 | 768 | 537 | 768 |
| Finished goods and goods for resale | 8,628 | 7,672 | 8,251 | 7,320 |
| | <u>11,730</u> | <u>11,798</u> | <u>11,113</u> | <u>11,329</u> |

13 Debtors: amounts due within one year

| | | | | |
|---|---------------|---------------|---------------|---------------|
| Trade debtors | 12,966 | 12,926 | 11,244 | 11,233 |
| Amounts owed by subsidiary undertakings | - | - | 781 | 989 |
| Amounts owed by parent undertaking and fellow subsidiary undertakings | 24,911 | 31,396 | 24,327 | 30,897 |
| Other debtors | 817 | 611 | 816 | 609 |
| Prepayments and accrued income | 1,595 | 1,116 | 1,562 | 1,078 |
| Advance corporation tax recoverable | - | 3,502 | - | 3,502 |
| | <u>40,289</u> | <u>49,551</u> | <u>38,730</u> | <u>48,308</u> |

14 Creditors: amounts falling due within one year

| | | | | |
|---|---------------|---------------|---------------|---------------|
| Bank overdrafts | 262 | - | 262 | - |
| Trade creditors | 5,000 | 4,646 | 4,605 | 4,388 |
| Bills of exchange | 319 | 280 | 319 | 280 |
| Amounts owed to parent undertaking and fellow subsidiary undertakings | 21,664 | 33,725 | 21,456 | 33,337 |
| Amounts owed to subsidiary undertakings | - | - | 6,012 | 6,041 |
| Other creditors | 70 | 263 | - | 24 |
| Corporation tax | 1,713 | 2,479 | 1,575 | 2,292 |
| Other taxes and social security costs | 1,056 | 1,304 | 823 | 1,122 |
| Accruals and deferred income | 2,855 | 2,010 | 2,635 | 1,788 |
| | <u>32,939</u> | <u>44,707</u> | <u>37,687</u> | <u>49,272</u> |

Included within accruals and deferred income is £581,000 (1 January 1995 - £108,000) relating to outstanding contributions payable to the pension scheme.

INTERFACE EUROPE LIMITED

Notes forming part of the financial statements for the 52 weeks ended 31 December 1995 (Continued)

15 Creditors: amounts falling due after more than one year

| | Group | | Company | |
|---|--------------|--------------|---------------|---------------|
| | 31.12.95 | 31.1.95 | 31.12.95 | 1.1.95 |
| | £'000 | £'000 | £'000 | £'000 |
| Amounts owed to subsidiary undertakings | - | - | 14,175 | 14,175 |
| Accruals and deferred income | 1,467 | 1,133 | 1,467 | 1,114 |
| | <u>1,467</u> | <u>1,133</u> | <u>15,642</u> | <u>15,289</u> |

16 Provisions for liabilities and charges

| Group | Deferred tax £'000 |
|---------------------------------------|-----------------------|
| At 2 January 1995 | 1,990 |
| Transfer from profit and loss account | (1,706) |
| | <u>284</u> |
| At 31 December 1995 | <u>284</u> |

Deferred tax provided in the financial statements and the total potential tax liability including the amounts for which provision has been made, are as follows:

| | Provided | | Potential | |
|--------------------------------|------------|--------------|------------|--------------|
| | 31.12.95 | 1.1.95 | 31.12.95 | 1.1.95 |
| | £'000 | £'000 | £'000 | £'000 |
| Accelerated capital allowances | 845 | 778 | 1,067 | 1,011 |
| Other timing differences | (561) | 1,212 | (561) | 1,212 |
| | <u>284</u> | <u>1,990</u> | <u>506</u> | <u>2,223</u> |

If the trade investment was sold for its market value, the corporation tax on the chargeable gain would be approximately £9,000,000 (1 January 1995 - £3,000,000).

INTERFACE EUROPE LIMITED

Notes forming part of the financial statements for the 52 weeks ended 31 December 1995 (*Continued*)

16 Provision for liabilities and charges (*Continued*)

Company

| | Deferred tax £'000 |
|-------------------------------------|--------------------------|
| At 2 January 1995 | 2,039 |
| Transfer to profit and loss account | (1,717) |
| | <hr/> |
| At 31 December 1995 | 322 |
| | <hr/> <hr/> |

Deferred tax provided in the financial statements and the total potential tax liability including the amounts for which provision has been made, are as follows:

| | Provided | | Unprovided | |
|--------------------------------|-------------|-------------|-------------|-------------|
| | 31.12.95 | 1.1.95 | 31.12.95 | 1.1.95 |
| | £'000 | £'000 | £'000 | £'000 |
| Accelerated capital allowances | 837 | 778 | 1,067 | 1,011 |
| Other timing differences | (515) | 1,261 | (515) | 1,261 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 322 | 2,039 | 552 | 2,272 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

INTERFACE EUROPE LIMITED

Notes forming part of the financial statements for the 52 weeks ended 31 December 1995 (Continued)

17 Called up share capital

| | Number | £'000 |
|--|------------|--------|
| <i>Authorised</i> | | |
| At 2 January 1995 and 31 December 1995 | | |
| Ordinary shares of 50p each | 23,679,407 | 11,840 |
| 'A' Ordinary shares of 10p each | 26,602,965 | 2,660 |
| | <hr/> | <hr/> |
| | 50,282,372 | 14,500 |
| | <hr/> | <hr/> |
| <i>Allotted and fully paid</i> | | |
| At 2 January 1995 and 31 December 1995 | | |
| Ordinary shares of 50p each | 23,679,407 | 11,840 |
| 'A' Ordinary shares of 10p each | 23,766,677 | 2,376 |
| | <hr/> | <hr/> |
| | 47,446,084 | 14,216 |
| | <hr/> | <hr/> |

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

18 Reserves Group

| | Share premium £'000 | Revaluation reserve £'000 | Profit and loss account £'000 |
|--------------------------------|---------------------------|---------------------------------|--|
| At 2 January 1995 | 5,276 | 16,559 | 17,720 |
| Retained profit for the period | - | - | 3,576 |
| Exchange differences | - | - | 6 |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 1995 | 5,276 | 16,559 | 21,302 |
| | <hr/> | <hr/> | <hr/> |

INTERFACE EUROPE LIMITED

Notes forming part of the financial statements for the 52 weeks ended 31 December 1995 (*Continued*)

18 Reserves (*Continued*)

Company

| | Share premium £'000 | Profit and loss account £'000 |
|--------------------------------|---------------------------|--|
| At 2 January 1995 | 5,276 | 10,010 |
| Retained profit for the period | - | 3,822 |
| | <hr/> | <hr/> |
| At 31 December 1995 | 5,276 | 13,832 |
| | <hr/> | <hr/> |

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

| | 31 December 1995 £'000 | 1 January 1995 £'000 |
|---|---------------------------|-------------------------|
| Operating profit | 4,792 | 5,936 |
| Depreciation and amortisation | 1,914 | 1,994 |
| Decrease/(increase) in stocks | 68 | (198) |
| Increase in debtors | (2,198) | (1,002) |
| (Decrease)/increase in creditors | (2,379) | 4,683 |
| Profit on disposal of fixed assets | (8) | (11) |
| | <hr/> | <hr/> |
| Net cash inflow from operating activities | 2,189 | 11,402 |
| | <hr/> | <hr/> |

INTERFACE EUROPE LIMITED

Notes forming part of the financial statements for the 52 weeks ended 31 December 1995 (*Continued*)

20 Analysis of changes in cash and cash equivalents during the period

| | 31 December 1995 £'000 | 1 January 1995 £'000 |
|--------------------------------|---------------------------|-------------------------|
| Balance at beginning of period | 367 | 147 |
| Net cash (outflow)/inflow | (630) | 220 |
| | <hr/> | <hr/> |
| Balance at end of period | (263) | 367 |
| | <hr/> | <hr/> |

21 Analysis of the balances of cash and cash equivalents as shown in the balance sheet

| | 31 December 1995 £'000 | 1 January 1995 £'000 | Change in period £'000 | 1 January 1995 £'000 | 2 January 1994 £'000 | Change in period £'000 |
|-----------------------------|------------------------------|----------------------------|------------------------------|----------------------------|----------------------------|------------------------------|
| Cash at bank and in hand | 318 | 647 | (329) | 647 | 425 | 222 |
| Bank overdraft | (262) | - | (262) | - | - | - |
| Bills of exchange | (319) | (280) | (39) | (280) | (278) | (2) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| | (263) | 367 | (630) | 367 | 147 | 220 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |

22 Analysis of changes in financing during the period

| | 31 December 1995 £'000 | 1 January 1995 £'000 |
|--------------------------------|---------------------------|-------------------------|
| Balance at beginning of period | 21,302 | 28,561 |
| New loans issued | 5,600 | - |
| Repayment of loans | (14,711) | (7,259) |
| | <hr/> | <hr/> |
| Balance at end of period | 12,191 | 21,302 |
| | <hr/> | <hr/> |

INTERFACE EUROPE LIMITED

Notes forming part of the financial statements for the 52 weeks ended 31 December 1995 (*Continued*)

23 Contingent liabilities

Group and company

Government grants

Under the terms of the Department of Economic Development letter of offer, there is a contingent liability to repay certain government grants in the event of any of those capital assets which are grant aided being sold or otherwise disposed of within a certain time of claiming. At 31 December 1995 the contingent liability in this respect is £1,245,397 (1 January 1995 - £1,160,313).

In addition there exists a contingent liability to repay capital grants should certain specified employment levels not be met.

24 Financial commitments

Operating leases

At 31 December 1995, the group and company had annual commitments under non-cancellable operating leases as follows:

| | 31 December 1995 | | 1 January 1995 | |
|----------------------------|--------------------------------|----------------|--------------------------------|----------------|
| | Land and buildings £'000 | Other £'000 | Land and buildings £'000 | Other £'000 |
| Expiry date: | | | | |
| Within one year | 33 | 183 | 33 | 204 |
| Between two and five years | - | 847 | - | 695 |
| In over five years | 195 | - | 195 | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 228 | 1,030 | 228 | 899 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

INTERFACE EUROPE LIMITED

Notes forming part of the financial statements for the 52 weeks ended 31 December 1995 (*Continued*)

25 Pension costs

The group operates a defined benefit pension scheme. The assets of the scheme are held separately from those of the group. The pension cost is assessed in accordance with the advice of a professionally qualified actuary. The most recent actuarial valuation was carried out as at 6 April 1995.

| | |
|--------------|----------------|
| Method used: | Projected unit |
|--------------|----------------|

Main assumptions:

| | |
|-----------------------|----|
| Return on investments | 9% |
| Increase in earnings | 7% |

| | |
|---|-------------|
| Market value of investments at 6 April 1995 | £18,252,000 |
|---|-------------|

| | |
|------------------|------|
| Level of funding | 110% |
|------------------|------|

The pension charge for the period was £523,000 (1 January 1995 - £86,000). The surplus is recognised over 15 years, the average remaining service life of employees.

Contributions to the scheme by the group amounted to £50,000 during the period (1 January 1995 - £Nil).

26 Ultimate parent company

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

Interface Inc. is the parent undertaking of the largest group of which Interface Europe Limited is a member and for which group accounts are drawn up. Copies of those group accounts are available from 2859 Paces Ferry Road, Suite 2000, Atlanta, GA 30339, USA.

Interface Europe Inc., incorporated in the United States of America, is the parent undertaking of the smallest group of which Interface Europe Limited is a member and for which group accounts are drawn up. Copies of those group accounts are available from the above address.

27 Post balance sheet event

On 31 March 1996, Interface Europe Limited sold Sanguhar Tile Services Limited for £882,000. Prior to completion a dividend of £1,198,000 was distributed to Interface Europe Limited.