

Axminster Carpets Limited

Annual Report

Year Ended 31 December 2010

Company Registration Number 324654

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Axminster Carpets Limited

Financial Statements

Year Ended 31 December 2010

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Axminster Carpets Limited

Officers and Professional Advisers

The Board of Directors

S J Dutfield
J J Dutfield MBA
A M Biggs FCCA ACMA
S J Wright
S H Upperton
D Jeffrey
L E Tonkin
G Bridge

Company Secretary

A M Biggs FCCA ACMA

Registered Office

Gamberlake
Axminster
Devon
EX13 5PQ

Auditor

Francis Clark LLP
Chartered Accountants
& Statutory Auditor
Vantage Point
Woodwater Park
Pynes Hill
Exeter
EX2 5FD

Bankers

Lloyds TSB Bank Plc
Trinity Square
Axminster
Devon
EX13 5AL

Solicitors

Beviss & Beckingsale
Silver Street
Axminster
Devon
EX13 5AH

Axminster Carpets Limited

The Directors' Report

Year Ended 31 December 2010

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2010

Principal Activities and Business Review

The principal activity of the company continues to be the manufacture of Axminster carpets at Axminster

Turnover rose by 2.6% when compared with 2009. UK and Irish sales rose by 4.8% as the residential sector benefitted from the launch of new ranges and improved in-store displays, while the contract sector continues to grow with increased resources being directed to the hospitality market. However export sales fell by 8.9% as our overseas customers continued to struggle with the deteriorating world economic conditions. Gross profit margins increased to 25.0% from 23.6% in 2009. An operating profit of £661,000 was achieved compared with £200,000 in 2009.

The directors continue to follow the action plan set out in the company's strategic review and are confident that those actions taken together with the launch of new products and other marketing initiatives during 2011 will bring about continued improvement.

Results and Dividends

The profit for the year amounted to £434,000. Particulars of dividends paid are detailed in note 11 to the financial statements.

Financial Risk Management Objectives and Policies

The company's principal financial instruments comprise bank balances, overdrafts and loans, trade creditors and trade debtors. The main purpose of these instruments is to raise funds for the company's operations and to finance those operations. The company's approach to managing liquidity risk in respect of bank balances is managed by maintaining a balance between the continuity of funding and flexibility through the use of an overdraft and ensuring that the company works within its existing facilities. The company manages its exposure to commodity price risk by engaging in ongoing negotiations with suppliers over prices, which can be fixed short term if considered necessary. The company manages its exposure to debtors risk by engaging credit insurance services.

Principal risks and uncertainties

The directors monitor the risks and uncertainties which could impact the company's long-term performance and, where necessary, takes steps to control the company's cost levels. The company is heavily dependent on the health of the UK and Irish economies generally. The company's activities expose it to financial risk of changes in foreign currency exchange rates and variable interest rates on borrowings. The majority of foreign currency transactions are between group entities and financial instruments are not used to hedge this exposure.

Research and Development

The directors regard investment in this area as a prerequisite for success in the medium to long-term future. During the year the company spent £150,000 (2009: £125,000) on research and development.

Directors

The directors who served the company during the year were as follows:

S J Dutfield
J J Dutfield MBA
A M Biggs FCCA ACMA
G H Humphries
S J Wright
S H Upperton
D Jeffrey
L E Tonkin
G Bridge
M J Davies

Axminster Carpets Limited

The Directors' Report *(continued)*

Year Ended 31 December 2010

Directors *(continued)*

M J Davies served as a director from 26 August 2010 to 13 January 2012

G H Humphries resigned as a director on 26 April 2011

Fixed Assets

In the opinion of the directors, the current open market value of the company's interests in land and buildings significantly exceeds the net book value reflected within the financial statements

Employees

The directors have continued their policy of giving disabled people full and fair consideration for vacancies for which they offer themselves as suitable applicants, having regard to their particular aptitudes and abilities. If an employee becomes disabled, the company endeavours to continue their employments, if this is practical, and in appropriate cases, training is given.

A regular dialogue with all employees and their views and involvement are encouraged by the company.

Signed by order of the directors



A M Biggs FCCA ACMA
Company Secretary

Approved on

17/02/12

Axminster Carpets Limited

Statement of Directors' Responsibilities

Year Ended 31 December 2010

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year.

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK 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 are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Axminster Carpets Limited

Independent Auditor's Report to the Shareholders of Axminster Carpets Limited

Year Ended 31 December 2010

We have audited the financial statements of Axminster Carpets Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet 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 shareholders, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by directors, and the overall presentation of the financial statements.

Opinion on Financial Statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on Other Matters Prescribed by the Companies Act 2006

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

Axminster Carpets Limited

Independent Auditor's Report to the Shareholders of Axminster Carpets Limited *(continued)*

Year Ended 31 December 2010

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



PETER SERJEANT (Senior Statutory Auditor)
For and on behalf of
FRANCIS CLARK LLP
Chartered Accountants & Statutory Auditor

Vantage Point
Woodwater Park
Pynes Hill
Exeter
EX2 5FD

20 February 2012

Axminster Carpets Limited

Profit and Loss Account

Year Ended 31 December 2010

	Note	2010 £000	2009 £000
Turnover	2	32,715	31,872
Cost of sales		<u>24,535</u>	<u>24,361</u>
Gross Profit		8,180	7,511
Distribution costs		2,025	2,015
Administrative expenses		5,621	5,423
Other operating income	3	<u>(127)</u>	<u>(127)</u>
Operating Profit	4	661	200
Profit on disposal of fixed assets	7	–	550
		<u>661</u>	<u>750</u>
Interest receivable and similar income	8	13	3
Interest payable and similar charges	9	<u>(259)</u>	<u>(547)</u>
Profit on Ordinary Activities Before Taxation		415	206
Tax on profit on ordinary activities	10	<u>(19)</u>	<u>(681)</u>
Profit for the Financial Year		<u>434</u>	<u>887</u>

All of the activities of the company are classed as continuing

The notes on pages 10 to 23 form part of these financial statements.

Axminster Carpets Limited

Statement of Total Recognised Gains and Losses

Year Ended 31 December 2010

	2010	2009
	£000	£000
Profit for the financial year attributable to the shareholders	434	887
Actuarial gain/(loss) in respect of defined benefit pension scheme	1,539	(5,152)
Deferred tax in respect of defined benefit pension scheme	(525)	1,403
Total gains and losses recognised since the last annual report	<u>1,448</u>	<u>(2,862)</u>

The notes on pages 10 to 23 form part of these financial statements

Axminster Carpets Limited

Balance Sheet

31 December 2010

	Note	2010 £000	2009 £000
Fixed Assets			
Intangible assets	12	10	21
Tangible assets	13	12,992	10,619
Investments	14	327	327
		<u>13,329</u>	<u>10,967</u>
Current Assets			
Stocks	15	12,262	9,525
Debtors	16	6,790	6,439
Cash at bank		17	11
		<u>19,069</u>	<u>15,975</u>
Creditors. Amounts falling due within one year	17	<u>12,810</u>	<u>7,249</u>
Net Current Assets		<u>6,259</u>	<u>8,726</u>
Total Assets Less Current Liabilities		<u>19,588</u>	<u>19,693</u>
Creditors. Amounts falling due after more than one year	18	2,364	2,092
Provisions for Liabilities			
Pensions	30	5,083	6,408
		<u>12,141</u>	<u>11,193</u>
Capital and Reserves			
Called-up share capital	24	1,224	1,224
Other reserves	25	25	25
Profit and loss account	26	10,892	9,944
Shareholders' Funds	27	<u>12,141</u>	<u>11,193</u>

These financial statements were approved by the directors and authorised for issue on and are signed on their behalf by

17/02/12


J J Dutfield
Director

Company Registration Number 324654

The notes on pages 10 to 23 form part of these financial statements

Axminster Carpets Limited

Notes and Accounting Policies

Year Ended 31 December 2010

1 Accounting Policies

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

(b) Consolidation

The company was, at the end of the year, a wholly-owned subsidiary of another company incorporated in the EEA and in accordance with Section 400 of the Companies Act 2006, is not required to produce, and has not published, consolidated accounts

(c) Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement

(d) Turnover

Turnover comprises the invoice value of goods and services supplied by the company in respect of its principal activity. Turnover is recognised at the point of sale or on delivery, excluding value added tax

(e) Research and development

Expenditure on research and development is written off against profits in the year in which it is incurred

(f) Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Licence and patent costs	- 11 years
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(g) Fixed assets

All fixed assets are initially recorded at cost

(h) Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Freehold buildings	- 30 years
Plant & machinery	- 4 to 20 years
Fixtures, tools and motor vehicles	- 3 to 10 years

No depreciation is provided on freehold land

(i) Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods for resale, the average purchase price is used. Work in progress and finished goods include an appropriate proportion of labour and overheads. Due allowance is made for obsolete and slow moving items

Axminster Carpets Limited

Notes and Accounting Policies

Year Ended 31 December 2010

1. Accounting Policies *(continued)*

(j) Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

(k) Pension costs and other post-retirement benefits

Retirement benefits are provided for employees of the company by means of a defined benefit pension scheme and a defined contribution pension scheme. These are funded by contributions from the company and employees.

For the defined benefit scheme the amounts charged to the profit and loss account are the current services costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have been vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

The defined benefit scheme is funded, with the assets of the schemes held separately from those of the company in a separate trustee administered fund. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond equivalent currency and term to the scheme liabilities. The actuarial valuation is obtained at least once every three years and is updated at each balance sheet date.

The resulting defining benefit asset or liability, net of related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For the defined contribution scheme the contributions are held in trustee administered funds independent of the finances of the company. The contributions made by the company are charged to the profit and loss accounts on an accruals basis.

(l) Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date.

(m) Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

(n) Investments

Investments in subsidiary undertakings are stated at cost less provision for any impairment in value.

Axminster Carpets Limited

Notes and Accounting Policies

Year Ended 31 December 2010

2. Turnover

The turnover and profit before tax are attributable to the one principal activity of the company

An analysis of turnover is given below

	2010 £000	2009 £000
United Kingdom	28,764	27,449
Overseas	3,951	4,423
	<u>32,715</u>	<u>31,872</u>

3 Other Operating Income

	2010 £000	2009 £000
Rent receivable	126	127
Other operating income	1	–
	<u>127</u>	<u>127</u>

4 Operating Profit

Operating profit is stated after charging

	2010 £000	2009 £000
Amortisation of intangible assets	11	11
Research and development expenditure	150	125
Depreciation of owned fixed assets	1,270	1,199
Auditor's remuneration		
- audit fees	38	38
- fees for taxation services	2	2
	<u></u>	<u></u>

Axminster Carpets Limited

Notes and Accounting Policies

Year Ended 31 December 2010

5 Particulars of Employees

The average number of staff employed by the company during the financial year amounted to

	2010 No	2009 No
Number of production staff	319	300
Number of administrative staff	55	57
Number of selling and distribution staff	81	79
	<u>455</u>	<u>436</u>

The aggregate payroll costs of the above were

	2010 £000	2009 £000
Wages and salaries	10,203	9,348
Social security costs	1,028	901
Other pension costs	259	292
	<u>11,490</u>	<u>10,541</u>

Other pension costs are amounts charged to operating profit and do not include amounts charged to finance costs (see note 9) and amounts recognised in the statement of recognised gains and losses

6 Directors' Remuneration

The directors' aggregate remuneration in respect of qualifying services were

	2010 £000	2009 £000
Aggregate remuneration	910	877
Value of company pension contributions to money purchase schemes	18	17
	<u>928</u>	<u>894</u>

The aggregate emoluments of the highest paid director was £129,000 (2009 £163,000) He is a member of a defined benefit pension scheme, under which no pension payments were made during the year (2009 £nil) No money purchase contributions were paid on his behalf (2009 £nil)

The number of directors for whom benefits are accruing under defined benefit pension schemes is six (2009 six directors) Pension contributions made during the year amounted to £nil (2009 £nil)

Axminster Carpets Limited

Notes and Accounting Policies

Year Ended 31 December 2010

7. Profit on Disposal of Fixed Assets

	2010 £000	2009 £000
Profit on disposal of fixed assets	<u>-</u>	<u>550</u>

A profit of £550,000 arose from the disposal of one residential property and agricultural land in Axminster during 2009

8 Interest Receivable and Similar Income

	2010 £000	2009 £000
Bank interest receivable	2	3
Other similar income receivable	<u>11</u>	<u>-</u>
	<u>13</u>	<u>3</u>

9 Interest Payable and Similar Charges

	2010 £000	2009 £000
Interest payable on bank borrowing	222	171
Finance charges	-	13
Other similar charges payable	<u>37</u>	<u>363</u>
	<u>259</u>	<u>547</u>

Other similar charges payable represents finance costs on the defined benefit pension scheme (note 21)

10 Taxation on Ordinary Activities

(a) Analysis of charge in the year

	2010 £000	2009 £000
Current tax		
UK Corporation tax based on the results for the year at 28% (2009 - 28%)	-	99
Over/under provision in prior year	<u>(9)</u>	<u>-</u>
Total current tax	<u>(9)</u>	<u>99</u>
Deferred tax		
Origination and reversal of timing differences	<u>(10)</u>	<u>(780)</u>
Total deferred tax (note 20)	<u>(10)</u>	<u>(780)</u>
Tax on profit on ordinary activities	<u>(19)</u>	<u>(681)</u>

Axminster Carpets Limited

Notes and Accounting Policies

Year Ended 31 December 2010

10 Taxation on Ordinary Activities *(continued)*

The company has tax losses available for future relief of approximately £6.7m (2009 £7.2m). Of these tax losses approximately £3.6m has been offset against the deferred tax liability in respect of accelerated capital allowances (see note 20). No value has been recognised by the company in respect of the remaining tax losses.

Except for the potential use of tax losses not set against the deferred tax liability, the company is not currently aware of any other reason why the future tax charge will differ from standard rate.

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 28% (2009 - 28%).

	2010 £000	2009 £000
Profit on ordinary activities before taxation	415	206
Profit on ordinary activities by rate of tax	116	58
Disallowed expenses and non-taxable income	(83)	50
Depreciation in excess of capital allowances	17	34
Tax losses not utilised	(50)	-
Capital gains relief	-	(43)
Adjustments in respect of prior periods	(9)	-
Total current tax (note 10(a))	(9)	99

11 Dividends

Equity dividends

	2010 £000	2009 £000
Paid		
Equity dividends on ordinary shares	500	500

The holders of the 5 25% preference shares and the 5 25% redeemable preference shares have waived their rights to all dividends.

Axminster Carpets Limited

Notes and Accounting Policies

Year Ended 31 December 2010

12 Intangible Fixed Assets

	Licence and patent costs £000
Cost	
At 1 January 2010 and 31 December 2010	<u>86</u>
Amortisation	
At 1 January 2010	65
Charge for the year	<u>11</u>
At 31 December 2010	<u>76</u>
Net Book Value	
At 31 December 2010	<u>10</u>
At 31 December 2009	<u>21</u>

13 Tangible Fixed Assets

	Freehold land and buildings £000	Plant and Machinery £000	Fixtures, tool and motor vehicles £000	Total £000
Cost				
At 1 January 2010	5,073	27,294	3,581	35,948
Additions	243	1,193	61	1,497
Disposals	—	(8)	(171)	(179)
Transfers	4,900	—	—	4,900
At 31 December 2010	<u>10,216</u>	<u>28,479</u>	<u>3,471</u>	<u>42,166</u>
Depreciation				
At 1 January 2010	2,250	20,087	2,992	25,329
Charge for the year	245	850	175	1,270
On disposals	—	(6)	(165)	(171)
Transfers	2,746	—	—	2,746
At 31 December 2010	<u>5,241</u>	<u>20,931</u>	<u>3,002</u>	<u>29,174</u>
Net Book Value				
At 31 December 2010	<u>4,975</u>	<u>7,548</u>	<u>469</u>	<u>12,992</u>
At 31 December 2009	<u>2,823</u>	<u>7,207</u>	<u>589</u>	<u>10,619</u>

Axminster Carpets Limited

Notes and Accounting Policies

Year Ended 31 December 2010

14 Investments

Investments in subsidiaries

£000

Cost

At 1 January 2010 and 31 December 2010

327

Net Book Value

At 31 December 2010 and 31 December 2009

327

The company owns 100% of the issued share capital of the following principal operating subsidiary companies which are incorporated in England and Wales

- Devonian Products Limited (indirect holding via a 100% non trading subsidiary) whose principal activity is the manufacture of sheepskin products
- Previculta Limited whose principal activity is that of property developing

15 Stocks

	2010	2009
	£000	£000
Raw materials	4,537	3,124
Work in progress	1,254	901
Finished goods	6,471	5,500
	<u>12,262</u>	<u>9,525</u>

16 Debtors

	2010	2009
	£000	£000
Trade debtors	3,682	3,232
Amounts owed by group undertakings	2,340	2,649
Other debtors	282	191
Prepayments and accrued income	486	367
	<u>6,790</u>	<u>6,439</u>

17 Creditors Amounts falling due within one year

	2010	2009
	£000	£000
Bank loans and overdrafts	4,144	2,251
Trade creditors	3,189	2,229
Amounts owed to group undertakings	3,382	987
Corporation tax	90	99
PAYE and social security	319	272
VAT	503	338
Other creditors	128	150
Accruals and deferred income	1,055	923
	<u>12,810</u>	<u>7,249</u>

Axminster Carpets Limited

Notes and Accounting Policies

Year Ended 31 December 2010

17 Creditors Amounts falling due within one year *(continued)*

The following liabilities disclosed under creditors falling due within one year are secured by the company

	2010	2009
	£000	£000
Bank loans and overdrafts	<u>4,144</u>	<u>2,251</u>

18 Creditors Amounts falling due after more than one year

	2010	2009
	£000	£000
Bank loans	<u>2,364</u>	<u>2,092</u>

The following liabilities disclosed under creditors falling due after more than one year are secured by the company

	2010	2009
	£000	£000
Bank loans	<u>2,364</u>	<u>2,092</u>

The bank loans are secured by debenture over the plant and machinery and freehold land and property held by the group companies. They carry a fixed annual rate of interest of 1.0% to 3.0% above the bank's base rate.

The following aggregate liabilities disclosed under creditors falling due after more than one year are due for repayment after more than five years from the balance sheet date

	2010	2009
	£000	£000
Bank loans	<u>247</u>	<u>407</u>

19 Guarantees

The company has guaranteed certain of the borrowings of group companies. The amount guaranteed at 31 December 2010 was £972,000 (2009 £1,289,000).

20 Deferred Taxation

The elements of deferred taxation, which result in a nil balance at the end of the year are as follows

	2010	2009
	£000	£000
Excess of taxation allowances over depreciation on fixed assets	1,003	1,048
Tax losses available	<u>(1,003)</u>	<u>(1,048)</u>
	-	-

	2010	2009
	£	£
Balance brought forward	-	1,048
Released during the year	-	<u>(1,048)</u>
Balance carried forward	<u>-</u>	<u>-</u>

Axminster Carpets Limited

Notes and Accounting Policies

Year Ended 31 December 2010

21 Pensions and Other Post Retirement Benefits

The company operates a pension scheme providing benefits based on final pensionable pay. The scheme was closed to future accrual from 30 September 2006 and preserved pension benefits have been confirmed to all employed members.

The assets of the scheme are held separately from those of the company.

The pension credit for the year for the company was £47,000 (2009 Charge £3,000).

Scheme contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent actuarial valuation was at 5 April 2009. As the scheme is now closed to future accrual, and to more closely match investment return assumptions to liabilities for those pensions in payment an investment return based on bond yields has been assumed, whilst for all employed and deferred members of the scheme equity yields have been assumed at prudent market rates. All employed and deferred members' preserved pension benefits accrued in excess of the guaranteed minimum pension inflate up to normal retirement date by increases in retail price inflation up to 31 December 2010, and by increases in consumer price inflation from 1 January 2011. The guaranteed minimum pension element is increased in line with the fixed rate revaluation of the social security administration act 1992.

This actuarial valuation showed that the market value of the scheme's assets was £45 million and that the actuarial value of these assets represents 71% of the benefits that the accrued to members, after allowing for expected future increases in retail price inflation.

The disclosures required under FRS 17 have been calculated by independent actuaries based on the most recent full actuarial valuations using a market value basis, being 5 April 2009, updated to 31 December 2010.

The estimated amount of contributions expected to be paid to the scheme during 2011 is £500,000.

The amounts recognised in the profit and loss account are as follows:

	2010 £000	2009 £000
<i>Amounts included in other finance cost</i>		
Expected return on scheme assets	(3,524)	(2,889)
Interest on scheme liabilities	3,561	3,252
Other finance cost	37	363
Total charge to the profit and loss account	37	363

Other finance cost is included in the profit and loss account within interest payable and similar charges.

Actuarial gains of £1,539,000 (2009 £(5,152,000)) have been recognised in the statement of total recognised gains and losses.

At 31 December 2010 the cumulative amount of actuarial gains recognised in the statement of total recognised gains and losses is £13,226,000.

Axminster Carpets Limited

Notes and Accounting Policies

Year Ended 31 December 2010

21 Pensions and Other Post Retirement Benefits *(continued)*

The amounts recognised in the balance sheet are as follows

	2010 £000	2009 £000
Present value of funded obligations	(62,894)	(61,725)
Fair value of scheme assets	55,834	52,825
	<u>(7,060)</u>	<u>(8,900)</u>
Related deferred tax asset	1,977	2,492
Net pension liability	<u>(5,083)</u>	<u>(6,408)</u>

Changes in the present value of the defined benefit obligation scheme are as follows

	2010 £000	2009 £000
Opening defined benefit obligation	61,725	52,675
Interest on scheme liabilities	3,561	3,252
Actuarial loss	547	9,570
Benefits paid	(2,939)	(3,772)
Closing defined benefit obligation	<u>62,894</u>	<u>61,725</u>

Changes in the fair value of scheme assets are as follows

	2010 £000	2009 £000
Opening fair value of scheme assets	52,825	48,983
Expected return on scheme assets	3,524	2,889
Contributions by employer	338	307
Actuarial gain	2,086	4,418
Benefits paid	(2,939)	(3,772)
Closing fair value of scheme assets	<u>55,834</u>	<u>52,825</u>

The fair value of the major categories of scheme assets and the expected rate of return at the balance sheet date are as follows

	Expected return		Fair value of assets	
	2010	2009	2010	2009
	%	%	£000	£000
Equities and property	8.00	8.00	39,475	35,710
Gilts, corporate and overseas bonds	5.00	5.00	14,628	14,157
Cash	1.00	1.00	1,731	2,958
Fair value of scheme assets			<u>55,834</u>	<u>52,825</u>

The principal actuarial assumptions as at the balance sheet date were

	2010	2009
	%	%
Discount rate	5.50	5.90
Rate of increase in deferred pensions	2.90	3.25
Inflation	3.40	3.25

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21 Pensions and Other Post Retirement Benefits *(continued)*

Amounts for the current and previous four periods are as follows

	2010	2009	2008	2007	2006
	£000	£000	£000	£000	£000
Defined benefit obligation	(62,894)	(61,725)	(52,675)	(58,980)	(62,890)
Fair value of scheme assets	55,834	52,825	48,983	62,517	60,830
(Deficit)/surplus in the scheme	<u>(7,060)</u>	<u>(8,900)</u>	<u>(3,692)</u>	<u>3,537</u>	<u>(2,060)</u>
Experience adjustments on scheme liabilities (£)	<u>-</u>	<u>1,060</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Experience adjustments on scheme assets (£)	<u>2,086</u>	<u>4,418</u>	<u>(15,485)</u>	<u>(307)</u>	<u>2,750</u>

22 Commitments under Operating Leases

At 31 December 2010 the company had annual commitments under non-cancellable operating leases as set out below

	Assets other than Land and buildings	
	2010	2009
	£000	£000
Operating leases which expire		
Within 1 year	55	66
Within 2 to 5 years	33	53
	<u>88</u>	<u>119</u>

23 Axminster Carpets Group Money Purchase Pension Scheme

The company offers a Group Personal Pension Plan for all employees. This is a defined contribution pension scheme with the employer matching the employee contributions up to 3% per annum.

The company meets the cost of life insurance cover. The charge to the profit and loss account for the year for the employer's contributions to the scheme amounted to £306,000 (2009 £289,000).

24 Related Party Transactions

During the year Mr S J Dutfield purchased goods through the company to a total value of £42,000 (2009 £58,000). The maximum balance due to the company during the year was £259,000 (2009 £401,000) and the balance outstanding at 31 December 2010 was £177,000 (2009 £156,000). In addition, the company provided payroll services to a related business, P N Dutfield Racing, where the payroll paid on behalf of that business amounted to £87,000 (2009 £101,000).

No other director had transactions during the year that require disclosure under FRS8. The company is a wholly owned subsidiary of Axminster Carpets Holdings Limited and has accordingly taken advantage of the exemption available under FRS8 from disclosing transactions with group entities.

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25 Share Capital

Allotted, called up and fully paid.

	2010 No	£000	2009 No	£000
50,000 'A' ordinary shares of £1 each	50,000	50	50,000	50
1,136,000 'B' ordinary shares of £1 each	1,136,000	1,136	1,136,000	1,136
5,000 5 25% preference shares of £1 each	5,000	5	5,000	5
33,000 5 25% redeemable preference shares of £1 each	33,000	33	33,000	33
	<u>1,224,000</u>	<u>1,224</u>	<u>1,224,000</u>	<u>1,224</u>

'A' ordinary and 'B' ordinary share rank pari passu as if they were of the same class of share

The 5 25% redeemable preference shares are redeemable at the option of the company at par at six months notice at any time. The 5 25% preference shares and the 5 25% redeemable preference shares carry no voting rights but would have preferential claim to the par value of the shares issued in the event of the company winding up.

26 Other Reserves

	2010 £000	2009 £000
Capital redemption reserve	<u>25</u>	<u>25</u>

27 Profit and Loss Account

	2010 £000	2009 £000
Balance brought forward	9,944	13,306
Profit for the financial year	434	887
Equity dividends	(500)	(500)
Defined pension benefit scheme	1,014	(3,749)
Balance carried forward	<u>10,892</u>	<u>9,944</u>

28 Reconciliation of Movements in Shareholders' Funds

	2010 £000	2009 £000
Profit for the financial year	434	887
Equity dividends	(500)	(500)
Defined benefit pension scheme	1,014	(3,749)
Net addition/(reduction) to shareholders' funds	948	(3,362)
Opening shareholders' funds	11,193	14,555
Closing shareholders' funds	<u>12,141</u>	<u>11,193</u>

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29 Ultimate Parent Company and Controlling Party

The company's ultimate parent company and controlling party is Axminster Carpets Holdings Limited, which is incorporated and registered in England and Wales. The largest and smallest group of which the company is a member for which group accounts are drawn up is Axminster Carpets Holdings Limited.

Copies of the financial statements of Axminster Carpets Holdings Limited may be obtained from Gamberlake, Axminster, Devon, EX13 5PQ.