

Company Registration Number 324654

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**AXMINSTER CARPETS LIMITED**

**Report and Financial Statements**

**31 December 2009**

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**AXMINSTER CARPETS LIMITED**

**REPORT AND FINANCIAL STATEMENTS 2009**

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## **AXMINSTER CARPETS LIMITED**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

S J Dutfield  
J J Dutfield MBA  
A M Biggs FCCA ACMA  
G H Humphries  
S J Wright  
S H Upperton  
D Jeffery  
L E Tonkin  
G Bridge (appointed 1 March 2009)

#### **SECRETARY**

A M Biggs FCCA ACMA

#### **REGISTERED OFFICE**

Gamberlake  
Axminster  
Devon  
EX13 5PQ

#### **BANKERS**

Lloyds Banking Group plc  
Trinity Square  
Axminster  
Devon  
EX13 5AL

#### **SOLICITORS**

Beviss & Beckingsale  
Silver Street  
Axminster  
Devon  
EX13 5AH

#### **AUDITOR**

Francis Clark LLP  
Vantage Point  
Woodwater Park  
Pynes Hill  
Exeter  
Devon  
EX2 5FD

## **AXMINSTER CARPETS LIMITED**

### **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 2009

### **PRINCIPAL ACTIVITY**

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

### **REVIEW OF THE YEAR AND FUTURE PROSPECTS**

The results for the year are set out in the profit and loss account on page 7

Turnover remained static when compared with 2008. UK and Irish sales fell by 3% as the residential sector continued to suffer from the effects of the recession in both economies during the year, but was partly compensated by strong contract sales in the hospitality sector. However export sales rose by 27% as major contracts continued with overseas customers. Gross profit margins increased to 23.6% from 22.0% in 2008 despite clearances of surplus stocks. An operating profit of £200,000 was achieved compared with an operating loss of £316,000 in 2008.

The company has benefitted from the sale of property which resulted in a profit of £550,000. However interest cost of £363,000 was recorded from the net charge on defined benefit pension scheme assets in 2009.

Profit before taxation was £206,000.

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 during 2010 will bring about continued improvement.

### **DIVIDENDS**

The directors paid an interim dividend of £500,000 during the year (2008: £nil). The directors do not propose a final dividend (2008: £nil).

### **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The company's principal financial instruments comprise bank balances and overdrafts, 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 the financial risks 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.

### **DIRECTORS**

The directors who held office during the year were as follows:

S J Dutfield (Chairman)  
J J Dutfield (Managing Director)  
A M Biggs  
G H Humphries  
S J Wright

## **AXMINSTER CARPETS LIMITED**

### **DIRECTORS' REPORT (continued)**

S H Upperton  
D Jeffery  
L E Tonkin  
G Bridge

The directors retiring by rotation are Mr L E Tonkin and Mr G Bridge who being eligible, offer themselves for re-election

### **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 £125,000 (2008: £105,000) on research and development.

### **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 employment, if this is practical, and in appropriate cases, training is given.

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

### **AUDITORS**

A resolution to reappoint Francis Clark LLP as the Company's auditors will be proposed at the forthcoming Annual General Meeting.

By Order of the Board



**A M Biggs FCCA ACMA**  
Secretary

## **AXMINSTER CARPETS LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

**Year ended 31 December 2009**

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 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,
- 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 MEMBERS OF AXMINSTER CARPETS LIMITED** **Year ended 31 December 2009**

We have audited the financial statements of Axminster Carpets Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, 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 members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective Responsibilities of Directors and 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 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 2009 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 MEMBERS OF AXMINSTER CARPETS LIMITED  
(continued)  
Year ended 31 December 2009**

**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

*Francis Clark LLP*

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

*4 June 2010*

# AXMINSTER CARPETS LIMITED

## PROFIT AND LOSS ACCOUNT Year ended 31 December 2009

	Note	2009 £'000	2008 £'000
<b>TURNOVER</b>	2	31,872	31,869
Cost of sales		(24,361)	(24,871)
<b>GROSS PROFIT</b>		7,511	6,998
Distribution costs		(2,015)	(1,986)
Administrative expenses		(5,423)	(5,476)
Other operating income	3	127	148
<b>OPERATING PROFIT / (LOSS)</b>	4	200	(316)
Profit on disposal of property	6	550	270
<b>PROFIT / (LOSS) BEFORE INTEREST AND TAXATION</b>		750	(46)
Interest receivable and similar income	7	3	1,534
Interest payable and similar charges	8	(547)	(440)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		206	1,048
Tax credit on profit on ordinary activities	9	681	185
<b>PROFIT FOR THE FINANCIAL YEAR</b>		887	1,233

All activities of the company are derived from continuing activities

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

		2009 £'000	2008 £'000
Profit for the financial year		887	1,233
FRS17 Actuarial loss	24	(5,152)	(5,045)
Associated deferred tax		1,403	1,034
<b>Total recognised gains and losses relating to the year</b>		(2,862)	(2,778)

**AXMINSTER CARPETS LIMITED**  
**Company Registration Number 324654**

**BALANCE SHEET**  
**At 31 December 2009**

	Note	2009		2008	
		£'000	£'000	£'000	£'000
<b>FIXED ASSETS</b>					
Intangible assets	11		21		32
Tangible assets	12		10,619		10,603
Investments	13		327		327
			<u>10,967</u>		<u>10,962</u>
<b>CURRENT ASSETS</b>					
Stocks	14	9,525		11,409	
Debtors	15	6,439		5,203	
Cash at bank and in hand		11		9	
		<u>15,975</u>		<u>16,621</u>	
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	16	<u>(7,249)</u>		<u>(7,465)</u>	
<b>NET CURRENT ASSETS</b>			<u>8,726</u>		<u>9,156</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>19,693</u>		<u>20,118</u>
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	17		(2,092)		(2,023)
<b>PROVISIONS FOR LIABILITIES</b>	19		-		(882)
<b>NET ASSETS BEFORE PENSION LIABILITIES</b>			<u>17,601</u>		<u>17,213</u>
<b>NET PENSION LIABILITIES</b>	24		(6,408)		(2,658)
<b>NET ASSETS INCLUDING PENSION LIABILITIES</b>			<u>11,193</u>		<u>14,555</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	20		1,224		1,224
Capital redemption reserve			25		25
Profit and loss account	21		9,944		13,306
<b>TOTAL SHAREHOLDERS' FUNDS</b>			<u>11,193</u>		<u>14,555</u>

These financial statements were approved by the Board of Directors on 4<sup>th</sup> June 2010

Signed on behalf of the Board of Directors

  
**J J Dutfield**  
 Director

## **AXMINSTER CARPETS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS** **Year ended 31 December 2009**

#### **1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards which have been applied consistently throughout the year and the previous year. The particular accounting policies adopted by the directors are described below.

##### **Basis of preparation**

The financial statements have been prepared under the historical cost convention. Under Financial Reporting Standard No. 1 (revised) the company is exempt from the requirement to prepare a cash flow statement as it is a wholly owned subsidiary of an EU parent company and its cash flows are included in the group cash flow statement. In addition it has taken advantage of the exemption under Financial Reporting Standard No. 8, Related Party Transactions and has not disclosed transactions with group undertakings.

##### **Consolidated financial statements**

The company is exempt from the obligation to prepare group accounts and to deliver them to the Registrar of Companies, as it is a wholly owned subsidiary of an EU parent company. These financial statements present information about the company and not about its group. The company's results are included within the group financial statements of Axminster Carpets Holdings Limited, which is registered in England and Wales.

##### **Turnover**

Turnover represents the total invoice and cash value of sales recognised at the point of sale or on delivery by the company from its principal activity during the year, excluding value added tax and sales between group companies.

##### **Intangible fixed assets**

Intangible fixed assets comprise licence and patent costs. These costs are amortised over the estimated useful lives of the projects, which the directors have estimated to be 11 years.

##### **Tangible fixed assets and depreciation**

Depreciation is provided to write off the cost of tangible fixed assets to their estimated residual values by equal instalments over their estimated useful economic lives as follows:

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

No depreciation is provided on freehold land.

##### **Foreign currencies**

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

##### **Research and development expenditure**

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

## **AXMINSTER CARPETS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS** **Year ended 31 December 2009**

#### **1. ACCOUNTING POLICIES (continued)**

##### **Operating leases**

Rentals under operating leases are charged to the profit and loss account in equal annual amounts over the lease term

##### **Pension costs**

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 service 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 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 of 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 account on an accruals basis.

##### **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. For work in progress and finished goods, cost is taken as average production cost, which includes an appropriate proportion of overheads. Due allowance is made for obsolete and slow moving items.

##### **Investments**

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

##### **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.

# AXMINSTER CARPETS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2009

### 2. ANALYSIS OF TURNOVER

Turnover comprises the invoice value of goods and services supplied by the company exclusive of VAT in respect of its principal activity. The analysis of turnover by geographical destination is as follows:

	2009 £'000	2008 £'000
United Kingdom and Ireland	27,449	28,388
Overseas (mainly Europe and North America)	4,423	3,481
	<u>31,872</u>	<u>31,869</u>

### 3. OTHER OPERATING INCOME

	2009 £'000	2008 £'000
Rental Income	127	107
Exchange Gains	-	41
	<u>127</u>	<u>148</u>

### 4. OPERATING PROFIT / (LOSS)

	2009 £'000	2008 £'000
Operating profit / (loss) is stated after charging / (crediting)		
Depreciation of tangible fixed assets	1,199	1,192
Amortisation of intangible fixed assets	11	11
Profit on disposal of fixed assets	(3)	(26)
Research and development expenditure	125	105
Auditor's remuneration		
- audit fees	38	33
- fees for non-audit services	2	-
	<u></u>	<u></u>

### 5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2009 £'000	2008 £'000
<b>Directors</b>		
Directors' emoluments	<u>894</u>	<u>838</u>

The aggregate of emoluments of the highest paid director was £163,000 (2008 £215,000). He is a member of a defined benefit pension scheme, under which no pension payments were made during the year (2008 £nil).

The number of directors for whom benefits are accruing under defined benefit pension schemes is six (2008 six directors). Pension contributions made during the year amounted to £nil (2008 £nil).

# **AXMINSTER CARPETS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS** **Year ended 31 December 2009**

### **5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)**

#### **Employees**

	<b>2009</b>	<b>2008</b>
	<b>No.</b>	<b>No.</b>
Average monthly number employed including executive directors		
Production	300	307
Selling and distribution	79	82
Administration	57	60
	<u>436</u>	<u>449</u>
The aggregate payroll costs of these persons were as follows	<b>£'000</b>	<b>£'000</b>
Wages and salaries	9,348	10,185
Social security costs	901	982
Other pension costs	292	446
	<u>10,541</u>	<u>11,613</u>

### **6. PROFIT ON DISPOSAL OF PROPERTY**

The profit of £550,000 arose from the disposal of one residential property and agricultural land in Axminster  
In 2008 the profit of £270,000 arose from the disposal of one residential property

### **7. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Bank and other interest received	3	1
Exchange gains	-	487
Net return on pension scheme assets	-	1,046
	<u>3</u>	<u>1,534</u>

### **8. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
On bank loans, overdrafts and other loans	171	440
Exchange losses	13	-
Net charge on pension scheme assets	363	-
	<u>547</u>	<u>440</u>

# AXMINSTER CARPETS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2009

### 9. TAX CREDIT ON PROFIT ON ORDINARY ACTIVITIES

	2009 £'000	2008 £'000
<b>Current tax</b>		
United Kingdom corporation tax at 28% (2008 28%) based on the profit for the period	(99)	-
Adjustments in respect of prior periods	-	-
<b>Current tax</b>	<u>(99)</u>	<u>-</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	882	269
Defined benefit pension scheme	(102)	(293)
Effect of reduced tax rate on opening liability	-	82
Adjustments in respect of prior periods	-	127
<b>Total tax credit</b>	<u>681</u>	<u>185</u>

#### Factors affecting current tax charge for the year

The tax assessed for the year differs from that resulting from applying the standard rate of corporation tax in the United Kingdom at 28% (2008 28%) The differences are explained below

	£'000	£'000
Profit on ordinary activities before taxation	<u>206</u>	<u>1,048</u>
	£'000	£'000
Tax on profit on ordinary activities at standard rate	58	293
Effects of		
- disallowed expenses and non-taxable income	50	(364)
- depreciation in excess of capital allowances	34	(13)
- tax losses not utilised	-	65
- tax losses surrendered as group relief	-	26
- capital gains relief	(43)	(7)
<b>Total actual amount of current tax</b>	<u>99</u>	<u>-</u>

The company has tax losses available for future relief of approximately £7.2m (2008 £7.2m) Of these tax losses approximately £3.7m has been offset against the deferred tax liability in respect of accelerated capital allowances (see note 19 on page 17) No value has been recognised by the company in respect of the remaining tax losses

The company is not currently aware of any other reason why the future tax charge will differ from the standard rate

# AXMINSTER CARPETS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2009

### 10. DIVIDENDS

	2009 £'000	2008 £'000
Ordinary shares		
Interim paid	500	-

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

### 11. INTANGIBLE FIXED ASSETS

#### Licence and patent costs

	£'000
<b>Cost</b>	
At 1 January 2009 and at 31 December 2009	86
<b>Amortisation</b>	
At 1 January 2009	54
Charge for year	11
At 31 December 2009	65
<b>Net book value</b>	
At 31 December 2009	21
At 31 December 2008	32

**AXMINSTER CARPETS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2009**

**12 TANGIBLE FIXED ASSETS**

	<b>Freehold land and buildings £'000</b>	<b>Plant and machinery £'000</b>	<b>Fixtures, tools and motor vehicles £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 1 January 2009	5,142	26,509	3,573	35,224
Additions	-	1,157	144	1,301
Disposals	(69)	(372)	(136)	(577)
At 31 December 2009	<u>5,073</u>	<u>27,294</u>	<u>3,581</u>	<u>35,948</u>
<b>Depreciation</b>				
At 1 January 2009	2,131	19,600	2,890	24,621
Charge for year	125	857	217	1,199
Disposals	(6)	(370)	(115)	(491)
At 31 December 2009	<u>2,250</u>	<u>20,087</u>	<u>2,992</u>	<u>25,329</u>
<b>Net book value</b>				
At 31 December 2009	<u>2,823</u>	<u>7,207</u>	<u>589</u>	<u>10,619</u>
At 31 December 2008	<u>3,011</u>	<u>6,909</u>	<u>683</u>	<u>10,603</u>

The gross value of assets not depreciated at 31 December 2009 amounts to £786,000 (2008 £836,000) and relates to freehold land

**13. INVESTMENTS**

	<b>2009 £'000</b>	<b>2008 £'000</b>
Cost and net book value of ordinary share capital in subsidiary undertakings at beginning and end of year	<u>327</u>	<u>327</u>

The principal operating subsidiary undertakings are

<b>Name</b>	<b>Principal activity</b>	<b>Country of incorporation</b>	<b>Percentage of ordinary share capital owned</b>
Buckfast Spinning Company Limited	Commercial landlords	UK	100%
Devonia Products Limited	Manufacture of sheepskin products	UK	100%
Previculta Limited	Property developers	UK	100%

All of these subsidiary undertakings incorporated in the United Kingdom are registered in England and Wales

# **AXMINSTER CARPETS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS** **Year ended 31 December 2009**

### **14. STOCKS**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Raw materials and consumables	3,124	3,881
Work in progress	901	903
Finished goods and goods for resale	5,500	6,625
	<u>9,525</u>	<u>11,409</u>

### **15. DEBTORS**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Trade debtors	3,232	2,800
Amounts owed by group undertakings	2,649	1,677
Other debtors	191	430
Prepayments and accrued income	367	296
	<u>6,439</u>	<u>5,203</u>

### **16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Bank loans and overdrafts (secured)	2,251	2,501
Trade creditors	2,229	2,209
Amounts owed to group undertakings	987	962
Corporation Tax	99	-
Other taxation and social security	610	722
Other creditors	150	135
Accruals and deferred income	923	936
	<u>7,249</u>	<u>7,465</u>

### **17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Bank loans (secured)	2,092	2,023
	<u>2,092</u>	<u>2,023</u>

The bank loans and overdraft 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 1.75% above the bank's base rate.

# AXMINSTER CARPETS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2009

### 17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

An analysis of the maturity of the bank borrowings is given below

	2009 £'000	2008 £'000
Repayable		
Within 1 year	2,251	2,501
Between 1–2 years	550	667
Between 2–5 years	1,135	817
More than 5 years	407	539
	<u>4,343</u>	<u>4,524</u>

### 18. GUARANTEES

The company has guaranteed certain of the borrowings of group companies. The amount thus guaranteed at 31 December 2009 was £1,298,115 (2008 £1,585,646)

### 19. PROVISIONS FOR LIABILITIES AND CHARGES

	2009 £'000	2008 £'000
Deferred tax		
At 1 January 2009	882	1,360
Transfer to profit and loss account	(882)	(478)
At 31 December 2009	<u>-</u>	<u>882</u>

The amount of deferred taxation provided in the financial statements is as follows

	£'000	£'000
Accelerated capital allowances	1,048	1,176
Less taxable trading losses	(1,048)	(294)
	<u>-</u>	<u>882</u>

### 20. SHARE CAPITAL

	2009 £'000	2008 £'000
Allotted, called up and fully paid		
50,000 'A' ordinary shares of £1 each	50	50
1,136,000 'B' ordinary shares of £1 each	1,136	1,136
5,000 5 25% preference shares of £1 each	5	5
33,000 5 25% redeemable preference shares of £1 each	33	33
	<u>1,224</u>	<u>1,224</u>

## AXMINSTER CARPETS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2009

#### 20. SHARE CAPITAL (continued)

'A' ordinary and 'B' ordinary shares 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 a preferential claim to the par value of the shares issued in the event of the company winding up.

#### 21. MOVEMENT IN SHAREHOLDERS' FUNDS

	Called up share capital £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total 2009 £'000	Total 2008 £'000
At beginning of the year	1,224	25	13,306	14,555	17,040
Retained profit for the year	-	-	887	887	1,233
Dividends	-	-	(500)	(500)	-
FRS17 Actuarial loss	-	-	(5,152)	(5,152)	(5,045)
Associated deferred tax	-	-	1,403	1,403	1,327
At end of the year	<u>1,224</u>	<u>25</u>	<u>9,944</u>	<u>11,193</u>	<u>14,555</u>

#### 22. TRANSACTIONS WITH DIRECTORS AND RELATED PARTIES

During the year Mr SJ Dutfield purchased goods through the company to a total value of £57,941 (2008 £44,520). The maximum balance due to the company during the year was £401,145 (2008 £401,145) and the balance outstanding at 31 December 2009 was £155,952 (2008 £401,145). 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 £101,310 (2008 £115,462).

No other director had transactions during the year that require disclosure under FRS 8. 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.

## AXMINSTER CARPETS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

#### 23. CAPITAL COMMITMENTS

Capital commitments at the end of the year for which no provision has been made in the financial statements

	2009 £'000	2008 £'000
Contracted	-	130

#### 24. NET PENSION LIABILITIES

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 cost for the year for the company was £3,000 (2008: £35,000).

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 2006. 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 in excess of the Guaranteed Minimum Pension, which increases at the rate of 4.5% per annum, will inflate up to normal retirement date at retail price inflation.

This actuarial valuation showed that the market value of the Scheme's assets was £60 million and that the actuarial value of these assets represents 90% of the benefits that had accrued to members, after allowing for expected future increases in retail price inflation.

The employees contributed at a rate of 7.5% of earnings up to 30 September 2006. The company continued to contribute at the rate of 7.5% of earnings up to 30 September 2006. In addition special contributions of £307,000 were paid over in the course of 2009.

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 2006, updated to 31 December 2009.

##### (1) Axminster Carpets Group Final Salary Pension Plan

The principal financial assumptions used were	2009	2008	2007
Rate of increase in salaries	N/A	N/A	N/A
Rate of increase of pensions in payment & deferment	3.3%	3.5%	3.6%
Discount rate	5.9%	6.4%	5.9%
Retail price inflation	3.3%	3.0%	3.3%

# AXMINSTER CARPETS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2009

### 24. NET PENSION LIABILITIES (continued)

The expected rate of return and the fair value of the assets in the scheme at 31 December 2009 were -

	Long term expected rate of return 2009	Market value £000 2009	Long term expected rate of return 2008	Market value £000 2008	Long term expected rate of return 2007	Market value £000 2007
Equities	8.00%	35,710	7.55%	31,888	8.05%	47,576
Bonds	5.25%	14,157	4.05%	11,952	4.55%	10,315
Other	0.50%	<u>2,958</u>	1.50%	<u>5,143</u>	5.00%	<u>4,626</u>
Market value of the scheme's assets		52,825		48,983		62,517
Market value of the scheme's liabilities		<u>(61,725)</u>		<u>(52,675)</u>		<u>(58,980)</u>
(Deficit) / surplus in the scheme		(8,900)		(3,692)		3,537
Restriction in surplus		-		-		<u>(3,537)</u>
Deficit in the scheme		(8,900)		(3,692)		-
Related deferred tax asset		<u>2,492</u>		<u>1,034</u>		-
Net pension liability		<u>(6,408)</u>		<u>(2,658)</u>		-

An analysis of the amount charged to operating profit in respect of this scheme is as follows

	2009 £'000	2008 £'000
Current Service Costs	-	-
Past Service Costs	-	-
Total Operating Charge	<u>-</u>	<u>-</u>

An analysis of the amount debited / (credited) to profit and loss interest was

	2009 £'000	2008 £'000
Expected return on pension scheme assets	2,889	4,444
Interest on pension scheme liabilities	<u>(3,252)</u>	<u>(3,398)</u>
Net charge / (return)	<u>363</u>	<u>(1,046)</u>

# AXMINSTER CARPETS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2009

### 24. NET PENSION LIABILITIES (continued)

Movement in market value of scheme assets during the year

	2009 £'000	2008 £'000
Market value of scheme assets at beginning of year	48,983	62,517
Expected return on scheme assets	2,889	4,444
Actuarial gain / (loss)	4,418	(15,485)
Employer contributions	307	307
Benefits paid from scheme	(3,772)	(2,800)
	<u>52,825</u>	<u>48,983</u>

Movement in present value of scheme liabilities during the year

	2009 £'000	2008 £'000
Present value of scheme liabilities at beginning of the year	52,675	58,980
Interest cost	3,252	3,398
Actuarial loss / (gain)	9,570	(6,903)
Benefits paid from scheme	(3,772)	(2,800)
	<u>61,725</u>	<u>52,675</u>

Analysis of the amount recognised in the Statement of Total Recognised Gains and Losses (STRGL)

	2009 £'000	2008 £'000
Actual return less expected return on pension scheme assets	4,418	(15,485)
Experience losses arising on the scheme liabilities	(1,060)	-
Changes in assumptions underlying present value of liabilities	(8,510)	6,903
Restriction in surplus under FRS 17	-	3,537
	<u>(5,152)</u>	<u>(5,045)</u>

At 31 December 2009 the cumulative amount of actuarial losses recognised in the STRGL is £1,224,000

# AXMINSTER CARPETS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2009

### 24. NET PENSION LIABILITIES (continued)

#### History of Defined Benefit Obligations, Assets and Experience Gains and Losses

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Defined benefit obligation	(61,725)	(52,675)	(58,980)	(62,890)	(67,190)
Scheme assets	52,825	48,983	62,517	60,830	55,970
(Deficit)/surplus in the scheme	(8,900)	(3,692)	3,537	(2,060)	(11,220)
Difference between the actual and expected returns on scheme assets					
Amount (£'000)	4,418	(15,485)	(307)	2,750	6,860
Percentage of scheme assets	8.4%	(31.6%)	(0.5%)	4.5%	12.3%
Experience losses on scheme liabilities					
Amount (£'000)	(1,060)	0	0	(1,000)	(420)
Percentage of scheme liabilities	(1.7%)	0.0%	0.0%	(1.6%)	(0.6%)
Total actuarial (loss)/gain in the Statement of Total Recognised Gains and Losses					
Amount (£'000)	(5,152)	(5,045)	1,753	4,810	(590)
Percentage of scheme liabilities	(8.3%)	(9.6%)	3.0%	7.6%	(0.9%)

#### (2) 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 £289,000 (2008: £411,100).

### 25. 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.