

Interface UK Manufacturing Limited

Annual Report and Financial Statements

Year Ended 3 January 2016

Company Number 7365225

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Interface UK Manufacturing Limited

**Annual report and financial statements
for the year ended 3 January 2016**

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Directors

J Hasselman
S Carlton

Secretary and registered office

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

Company number

7365225

Auditors

BDO LLP, 1 Bridgewater Place, Water Lane, Leeds, LS115RU

Interface UK Manufacturing Limited

Strategic report for the year ended 3 January 2016

The directors present their strategic report together with the audited financial statements for the year ended 3 January 2016.

Principal activities

The company's principal activity in the year was the toll manufacture of interior floor coverings for other group companies.

Review of the business and future developments

The profit and loss account is set out on page 5 and shows turnover for the period of £8,896,000 (2014 - £8,492,000) and profit after taxation for the period of £600,000 (2014 - £649,000).

The economic environment for 2016 and beyond remains highly uncertain. The result of the EU referendum in the UK, our largest and most important market in Europe, has compounded this uncertainty. In some of our regions we expect growth however for many regions growth will remain challenging. Overall we do not expect top line sales growth at the Interface Europe BV group level, however with tight cost control we expect operating margins to improve.

The Interface Inc. group will continue its emphasis on sustainability, functionality and design, and plans to introduce a wide range of new products with unique designs and advanced well-being functionality in 2016, including plans to introduce the lowest CO² footprint product available in the marketplace today. We expect to maintain and expand upon our market leader position in 2016.

The company is committed to providing a safe environment to all employees. Reported accidents, those involving three or more days absence from work, for the UK sites were five (2014 - three).

Principal risks and uncertainties

The nature of the company's operations exposes it to the risks of the wider Interface Inc. group.

A significant proportion of the group's business is in the corporate office sector and the performance of this sector remains an important factor in the performance of the group as a whole. The group seeks to manage this risk by continuing the development of other business segments, such as hospitality, education, healthcare and government. Additionally the group is seeking to convert traditional broadloom customers to modular flooring.

The main financial risk arising from the group's activities, applicable to the company, is liquidity risk. The group seeks to manage this risk and monitors it regularly. Liquidity risk is managed through a co-ordinated approach, across the group's European subsidiaries through a mixture of long term and short term debt finance and readily accessible bank deposit accounts to ensure that the group and company have sufficient funds for operations. The cash deposits are held in a mixture of short term deposits and current accounts which earn interest at a floating rate. Debt is maintained at fixed interest rates.

Key performance indicators

The directors closely monitor the company's operating costs, managing business investment in accordance with market conditions. Cost of sales for the year of £8,180,000 compared with £7,724,000 for the previous year, representing an increase of 5.9%.

Approval

This strategic report was approved by order of the Board on 28 September 2016



S Carlton
Director

Interface UK Manufacturing Limited

Annual report of the directors for the year ended 3 January 2016

The directors present their annual report together with the audited financial statements for the year ended 3 January 2016 .

Directors

The directors of the company during the year were:

J Hasselman
S Carlton

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the company 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; 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 adequate accounting records that are sufficient to show and explain the company's transactions, 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.

Charitable and political contributions

During the period the company made charitable contributions of £1,050 (2014 - £500).

Disclosure of information to the auditors

All of the current directors have taken all of the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purpose of their audit, and to establish that the auditors are aware of that information. The directors are not aware of any relevant information of which the auditors are unaware.

By order of the Board



S Carlton
Director

28 September 2016

Interface UK Manufacturing Limited

Independent auditor's report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERFACE UK MANUFACTURING LIMITED

We have audited the financial statements of Interface UK Manufacturing Limited for the year ended 3 January 2016 which comprise the profit and loss account, the 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 in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's member, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 3 January 2016 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 strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Interface UK Manufacturing Limited

Independent auditor's report (*continued*)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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.

BDO LLP

*Mark Langford (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Leeds
United Kingdom*

Date *30 September 2016*

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

Interface UK Manufacturing Limited

Profit and loss account for the year ended 3 January 2016

	Note	2015 £'000	2014 £'000
Turnover	2	8,896	8,492
Cost of sales		(8,180)	(7,724)
Gross profit		716	768
Administrative expenses - restructuring costs	3	-	(23)
Operating profit and profit on ordinary activities before finance charges	4	716	745
Interest receivable and similar income		6	-
Interest payable and similar charges		-	(5)
Profit on ordinary activities before taxation		722	740
Taxation on profit from ordinary activities	7	(122)	(91)
Profit on ordinary activities after taxation	13	600	649

All amounts relate to continuing activities.

There are no recognised gains or losses other than the result for the year.

There are no movements in shareholder's funds in the current or prior year other than the profit for the year.

The notes on pages 7 to 12 form part of these financial statements.

Interface UK Manufacturing Limited

Balance sheet as at 3 January 2016

Company number 7365225	Note	2015 £'000	2014 £'000
Fixed assets			
Tangible assets	8	6,912	6,542
Current assets			
Debtors	9	6,341	3,444
Cash at bank and in hand		64	5
		<u>6,405</u>	<u>3,449</u>
Creditors: amounts falling due within one year	10	(4,618)	(2,030)
		<u>1,787</u>	<u>1,419</u>
Net current assets			
		<u>8,699</u>	<u>7,961</u>
Total assets less current liabilities			
Provisions for liabilities	11	(385)	(247)
		<u>8,314</u>	<u>7,714</u>
Net assets			
Capital and reserves			
Called up share capital	12	5,879	5,879
Profit and loss account	13	2,435	1,835
		<u>8,314</u>	<u>7,714</u>
Total shareholder's funds			

The financial statements were approved by the Board of Directors and authorised for issue on 28 September 2016



S Carlton
Director

The notes on pages 7 to 12 form part of these financial statements.

Interface UK Manufacturing Limited

Notes forming part of the financial statements
for the year ended 3 January 2016

1 Accounting policies

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

Turnover

Turnover from the supply of toll manufacturing services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Turnover is recognised when the services are provided.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost less estimated residual value of each asset on a straight line basis over its expected useful life, at the following rates:

Buildings	-	2 - 10% per annum
Plant, machinery and motor vehicles	-	$8\frac{1}{3}$ - $33\frac{1}{3}\%$ per annum
Fixtures, fittings and equipment	-	10 - 50% per annum

Leased assets

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

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Pensions

The pension costs for defined contribution schemes are the contributions payable in the year.

Cash flow statement

Under Financial Reporting Standard 1 (Revised), the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking of a parent which prepares a consolidated cash flow statement.

Interface UK Manufacturing Limited

Notes forming part of the financial statements
for the year ended 3 January 2016 (*continued*)

2 Turnover

Turnover is derived from a single class of business carried out in the UK, that of the toll manufacture of interior floor coverings.

3 Restructuring costs

In 2012, material restructuring costs were incurred in relation to the closure of manufacturing and distribution operations at Shelf. As the restructuring has had a material effect on the nature and focus of the group's operations these costs were charged after operating profit in accordance with FRS 3 'Reporting Financial Performance' in that year. In 2014 the residual restructuring costs were £23,000 and have been charged to operating profit in the prior year.

4 Operating profit is stated after charging:

	2015 £'000	2014 £'000
Depreciation of tangible fixed assets - owned fixed assets	844	801
Operating lease rentals		
- plant and machinery	299	309
- other	42	41
	<u> </u>	<u> </u>

The audit fee of £4,000 (2014 - £4,000) has been borne by another group company, Interface Administration Services Limited.

5 Employees

Number of employees

The average weekly number of persons (including directors) recharged to the company during the year was:

	2015 Number	2014 Number
Production	124	114
Administration	14	18
Management	4	4
	<u> </u>	<u> </u>
	142	136
	<u> </u>	<u> </u>

	2015 £'000	2014 £'000
Employment costs (including directors)		
Wages and salaries	4,002	3,602
Social security costs	385	339
Pension and other costs	230	172
	<u> </u>	<u> </u>
	4,617	4,113
	<u> </u>	<u> </u>

The employment costs of Interface UK Manufacturing Limited are recharged from Interface Europe Limited, the company which holds the contracts of employment for all UK based staff.

Interface UK Manufacturing Limited

Notes forming part of the financial statements
for the year ended 3 January 2016 (*continued*)

6 Information regarding directors

Emoluments

No directors received any remuneration in respect of their services to the company during the current or preceding year.

7 Taxation on profit on ordinary activities

	2015 £'000	2014 £'000
<i>Current tax</i>		
UK corporation tax on profit for the year	11	34
Tax overprovided in previous years	(27)	(45)
	<hr/>	<hr/>
Total current tax	(16)	(11)
<i>Deferred tax</i>		
Origination and reversal of timing differences (note 11)	138	102
	<hr/>	<hr/>
Taxation on profit on ordinary activities	122	91
	<hr/>	<hr/>

The tax assessed for the year is different than the standard rate of corporation tax in the UK. The differences are explained below:

	2015 £'000	2014 £'000
Profit on ordinary activities before tax	722	740
	<hr/>	<hr/>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 20.25% (2014 – 21.5%)	146	159
Effects of:		
Capital allowances in excess of depreciation	(135)	(111)
Short term timing differences	-	(14)
Tax overprovided in previous years	(27)	(45)
	<hr/>	<hr/>
Current tax credit for the year	(16)	(11)
	<hr/>	<hr/>

Interface UK Manufacturing Limited

Notes forming part of the financial statements
for the year ended 3 January 2016 (*continued*)

8 Tangible fixed assets

	Land and buildings £'000	Fixtures, fittings, plant and Machinery £'000	Total £'000
<i>Cost</i>			
At 29 December 2014	656	14,972	15,628
Additions	-	1,214	1,214
Disposals	(272)	(196)	(468)
	<hr/>	<hr/>	<hr/>
At 3 January 2016	384	15,990	16,374
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 29 December 2014	505	8,581	9,086
Charge for the year	31	813	844
Disposals	(272)	(196)	(468)
	<hr/>	<hr/>	<hr/>
At 3 January 2016	264	9,198	9,462
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 3 January 2016	120	6,792	6,912
	<hr/>	<hr/>	<hr/>
At 29 December 2014	151	6,391	6,542
	<hr/>	<hr/>	<hr/>

9 Debtors

	2015 £'000	2014 £'000
<i>Amounts due within one year:</i>		
Amounts owed by group undertakings	6,049	2,991
VAT recoverable	28	43
Other debtors	11	7
Prepayments and accrued income	253	235
Corporation tax	-	168
	<hr/>	<hr/>
	6,341	3,444
	<hr/>	<hr/>

All debtors are due within one year. Intercompany balances are unsecured, interest free, have no fixed date for repayment and are repayable on demand.

Interface UK Manufacturing Limited

Notes forming part of the financial statements
for the year ended 3 January 2016 (continued)

10 Creditors: amounts falling due within one year

	2015 £'000	2014 £'000
Trade creditors	767	368
Amounts owed to group undertakings	3,334	1,207
Corporation tax	6	-
Other taxes and social security cost	103	92
Accruals and deferred income	408	363
	<u>4,618</u>	<u>2,030</u>

Intercompany balances are unsecured, interest free, have no fixed date for repayment and are repayable on demand.

11 Provisions for liabilities

	Deferred tax £'000
At 29 December 2014	247
Charge to profit and loss account	138
	<u>385</u>
At 3 January 2016	<u>385</u>

Deferred tax provided in the financial statements is as follows:

	Provided 2015 £'000	Provided 2014 £'000
Accelerated capital allowances	(389)	(250)
Other timing differences	4	3
	<u>(385)</u>	<u>(247)</u>

12 Called up share capital

	2015 Number	2014 Number	2015 £'000	2014 £'000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1.00 each	5,878,832	5,878,832	5,879	5,879
	<u>5,878,832</u>	<u>5,878,832</u>	<u>5,879</u>	<u>5,879</u>

Interface UK Manufacturing Limited

Notes forming part of the financial statements
for the year ended 3 January 2016 (*continued*)

13 Reserves

	Profit and loss account
At 29 December 2014	1,835
Profit for the year	600
	<hr/>
At 3 January 2016	2,435
	<hr/>

14 Financial commitments - operating leases

At 3 January 2016, the company had annual commitments under non-cancellable operating leases as follows:

	2015 Land and buildings £'000	2015 Other £'000	2014 Land and buildings £'000	2014 Other £'000
Expiry date:				
Within one year	-	9	-	3
Between two and five years	240	52	240	50
	<hr/>	<hr/>	<hr/>	<hr/>
	240	61	240	53
	<hr/>	<hr/>	<hr/>	<hr/>

15 Related party transactions

The company has taken advantage of the exemption allowed by Financial Reporting Standard 8, "Related Party Transactions", not to disclose any transactions with Interface Inc. or other wholly owned subsidiaries.

16 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 UK Manufacturing Limited is a member. Copies of its consolidated financial statements are available from 2859 Paces Ferry Road, Suite 2005, Atlanta, GA 30339, USA.

Interface Europe Ltd is the parent undertaking of the smallest group of which Interface UK Manufacturing Limited is a member and for which group accounts are drawn up. Copies of its consolidated financial statements are available from Companies House.

The immediate parent undertaking is Interface Europe Ltd, incorporated in England and Wales.