

# Interface Europe Ltd

Annual Report and Financial Statements

Year Ended 30 December 2018

Company Number 00309779



# Interface Europe Ltd

Annual report and financial statements  
for the year ended 30 December 2018

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## Directors

J Hasselman (resigned 20 December 2018)  
S Carlton  
A H van Keken  
N W Stansfield  
D S Verschuur (appointed 10 June 2019)

## Secretary and registered office

S Carlton, 10<sup>th</sup> Floor, The Colmore Building, 20 Colmore Circus, Queensway, Birmingham, B4 6AT

## Company number

00309779

## Auditors

BDO LLP, Central Square, 29 Wellington Street, Leeds, LS1 4DL

# Interface Europe Ltd

## Strategic report for the year ended 30 December 2018

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The directors present their strategic report together with the audited financial statements for the year ended 30 December 2018.

The year end 2018 refers to the period from 1 January 2018 to 30 December 2018. The comparative year end refers to the period 2 January 2017 to 31 December 2017.

### Principal activities

The group's principal activity in the year continues to be the toll manufacture and distribution of interior floor coverings in the UK, Ireland and the Middle East.

It is our long term mission to become climate neutral, meaning that it is our goal to eliminate any negative impact which our company may have on the environment by the year 2020. "Climate Take Back", our next mission, is the Interface commitment to run our business in a way that creates a climate fit for life by not only achieving zero emissions, but actually positively contributing to climate change.

### Review of the business and future developments

The Income statement is set out on page 9 and shows turnover for the year of £72,292,000 (2017 - £72,588,000) and a profit after taxation for the year of £943,000 (2017 - £2,583,000).

Total group turnover decreased by 0.4% in comparison to the previous year. Trading conditions remained tough across all markets but overall gross profit as a percentage of sales increased from 24.0% to 25.1%. Manufacturing costs remain subject to stringent scrutiny and have been reduced wherever possible and have decreased as a percentage of turnover. Selling, distribution and administrative expenses have increased by 21.7% on the comparative year and have increased as a percentage of turnover from 19.7% to 24.0%. Overall the contribution of the business to operating profit has decreased by £2,398,000. A significant factor in the above operating costs is the one off pension charge of £2,057,000, linked to GMP equalisation, which has been accounted for as a prior service cost in the income statement for the year to 31 December 2018.

The group and the company remain committed to achieving the highest levels of sustainability in the industrial world. In pursuing those objectives the company has sold, under the registered trademark "Cool Carpet", 3,247,800 square metres of product (2017 – 1,736,183 square metres) where any greenhouse gases emitted during the life cycle of the product are offset or balanced.

The group and company are also committed to providing a safe environment to all employees. Reported accidents, those involving three or more days absence from work, for the UK and Ireland business were three in 2018 (2017 - three). The incidence rate for all accidents, those involving an injury requiring either time off work or first aid treatment, was 0.96 per 200,000 hours worked (2017 – 0.95).

The economic environment for 2019 is challenging. In order to strengthen the UK business, it was announced in January 2019 that the UK headquarters at Shelf would close in June 2019. The decision was made, following an in-depth review of the UK business, the current operating environment in the region and by speaking with our customers. Through this process we have identified the need to be more centrally located, closer to our UK customer base and prospective customers, in order to meet our growth objectives. Unfortunately this decision means that the majority of Shelf based UK roles were declared redundant in January 2019.

The UK business, including the sales, customer experience and marketing functions, have been relocated to a new living workplace in Birmingham city centre. Additionally the EMEA Design Centre, has been established at a new site in Halifax, from where our UK based design and development, marketing and data management teams will support our EMEA business. Both sites opened in Q2 2019.

The European group are closely monitoring the final negotiations and outcomes around Brexit and considering how this will further impact our UK based manufacturing and distribution companies.

# Interface Europe Ltd

## Strategic report for the year ended 30 December 2018 *(continued)*

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### Review of the business and future developments *(continued)*

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 2019, including plans to introduce the lowest CO<sub>2</sub>-footprint product available in the marketplace today. It expects to maintain and expand upon its market leader position in 2019. With these plans we respond to the trend of adding value as a company to overall welfare in areas, such as the environment (including climate change), society and social equality. More information on the Interface Inc. group's global initiatives can be found on its corporate website:

<https://www.interface.com/US/en-US/campaign/climate-take-back/Climate-Take-Back>

### Principal risks and uncertainties

The European group analyses and controls its risks by dividing them into categories (strategic, operational, financial and compliance). Control measures are defined for each identified risk. It has defined sufficient measures for the majority of its identified risks and uncertainties.

#### *Strategic*

The aim of the Interface Inc. group is overall growth of our primary service, which is offering our clients a total solution when it comes to interior design. On August 8, 2018 the Interface Inc. group acquired the shares of the Nora Group with its ultimate parent company Nora Holdings GmbH in Weinheim, Germany. The acquisition, expands Interface's resilient flooring portfolio, adding rubber flooring solutions, to our existing carpet tile and Luxury Vinyl Tile (LVT) product range.

A significant proportion of the company's business is in the corporate office sector, which is very sensitive to economic and political developments. The performance of this sector remains an important factor in the performance of the company as a whole. The company seeks to manage this risk by continuing the development of other business sectors, such as hospitality, education, healthcare and government. The acquisition of the Nora Group and their rubber flooring solutions, increases the Interface Inc. group's market share within the healthcare and education business sectors, but also enables the company to develop its carpet tile and LVT business within these sectors, by opening up cross selling opportunities.

After decades of hard work, the Interface Inc. group is poised to reach its "Mission Zero" goals by 2020, becoming climate neutral and eliminating any negative impact the Interface Inc. group has on the environment. "Climate Take Back", our next mission, is the Interface commitment to run our business in a way that creates a climate fit for life by not only achieving zero emissions, but actually positively contributing to climate change. Through these missions, the Interface Inc. group aims to retain its position as one of the most sustainable companies in the world and encourages others to follow its example.

Our strategic risk appetite is defined to be low to medium, as we currently have a stable core business. New strategic initiatives are carefully evaluated as to whether or not they actually will add value to our global strategy.

#### *Operational*

We have implemented strict operational procedures with regards to quality and safety. These are monitored continuously to assure premium quality products for our customers and a safe working environment for all staff.

To mitigate the risk that the market might not accept a certain product style, we are continuously evaluating and updating our concepts, designs and are renewing our product portfolio. This way we can offer our customers fresh new designs alongside our "best sellers".

To assure continuity in our production and IT environment, disaster and recovery plans and related procedures are in place.

Our operational risk appetite is defined to be low, as we like to avoid product complaints from our customers and mitigate any associated reputational risk.

# Interface Europe Ltd

Strategic report for the year ended 30 December 2018 (continued)

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## *Principal risks and uncertainties (continued)*

In terms of the health and safety of our employees, we adopt a zero risk strategy, as our employees are the most important assets of the company.

### *Financial*

There are significant sales markets that are settled in US Dollars and Euros exposing the company to currency risks in these areas. This is monitored on a regular basis within the company and the co-ordinated treasury management across the European subsidiaries of Interface, Inc. reduces the impact of currency exposure.

For each country and sales centre, the European group develop a separate pricing strategy which has a strategic fit with the local market. Changes in pricing and or margin strategies are discussed and evaluated within the Pricing Committee.

The main financial risks arising from the group's and company's activities are credit risk and liquidity risk. These are monitored by the European group and were not considered to be significant at the statement of financial position date.

The company's credit risk is primarily attributable to its trade debtors. Credit risk is managed by running credit checks on new and existing customers and by monitoring payments against contractual agreements.

Liquidity risk is managed through a co-ordinated approach, across the European subsidiaries of Interface Inc., through a mixture of long and short term debt finance and readily accessible bank deposit accounts to ensure that the group and company have sufficient funds for operations. The cash deposits are held in a mixture of short term deposits and current accounts which earn interest at a floating rate. Debt is maintained at fixed and floating interest rates.

### *Compliance*

As a company we are aiming for full compliance with local laws and regulation. Newly hired staff are required to sign a code of conduct. With regards to production, health, safety, HR, GDPR and other topics we have implemented procedures which enable us to operate in line with high industry standards.

## **Key performance indicators**

The directors closely monitor the group's sales, margin and operating costs, managing business investment in accordance with market conditions. Commentary on these indicators is detailed above.

## **Approval**

This strategic report was approved by order of the Board on 27 September 2019.



S Carlton  
Director

# Interface Europe Ltd

## Annual report of the directors for the year ended 30 December 2018

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The directors present their annual report together with the audited financial statements for the year ended 30 December 2018.

### Directors

The directors of the company during the year were:

J Hasselman (resigned 20 December 2018)  
S Carlton  
A H van Keken  
N W Stansfield  
D S Verschuur (appointed 10 June 2019)

### Employees

In accordance with the group's Equal Opportunities and Dignity at Work Policy any person with a disability will be afforded equal employment, training and promotion opportunities. In accordance with this policy all reasonable steps will be taken to support the continuation of the employment of anyone who has a disability or who becomes disabled in the course of their employment.

Information to employees regarding the group and factors affecting its performance are provided through normal management channels and regular consultation.

### Charitable and political contributions

During the year the group made charitable contributions of £1,468 (2017 - £1,424). Additionally, carpet tiles have been donated to several charities at £nil cost in both the current and preceding year.

### Disclosure of information to the auditors

The current directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors are not aware of any relevant audit information of which the company's auditor is unaware.

### By order of the Board



S Carlton  
Director

27 September 2019

# Interface Europe Ltd

## Directors' responsibilities statement

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### 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" 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 group and the company and of the profit or loss of the group and 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;
- state whether applicable UK Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company, and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Interface Europe Ltd

## Independent auditor's report

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### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERFACE EUROPE LTD

#### Opinion

We have audited the financial statements of Interface Europe Ltd for the year ended 30 December 2018 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the reconciliation of movements in shareholder's funds, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.



# Interface Europe Ltd

## Independent auditor's report (continued)

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### Other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

### Respective responsibilities of directors and auditors

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

# Interface Europe Ltd

## Independent auditor's report (*continued*)

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### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Use of our report**

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.

*BDO LLP*

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

*Date 27 SEPTEMBER 2019*

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

# Interface Europe Ltd

## Consolidated income statement for the year ended 30 December 2018

	Note	2018 £'000	2017 £'000
<b>Turnover</b>	5	<b>72,292</b>	72,588
Cost of sales		<b>(54,163)</b>	(55,162)
<b>Gross profit</b>		<b>18,129</b>	17,426
Selling and distribution expenses		<b>(9,637)</b>	(9,016)
Administrative expenses		<b>(7,742)</b>	(5,262)
<b>Operating profit</b>	6	<b>750</b>	3,148
Interest receivable	7	<b>1,286</b>	609
Interest payable and similar charges	7	-	(1)
Other finance expense	25	<b>(195)</b>	(312)
<b>Profit on ordinary activities before taxation</b>		<b>1,841</b>	3,444
Taxation on profit from ordinary activities	9	<b>(898)</b>	(861)
<b>Profit on ordinary activities after taxation</b>		<b>943</b>	2,583

The notes on pages 16 to 39 form part of the financial statements.

# Interface Europe Ltd

## Consolidated statement of comprehensive income for the year ended 30 December 2018

	Note	2018 £'000	2017 £'000
Profit for the financial year		943	2,583
Actuarial gains	25	10,770	3,049
Deferred tax effect of actuarial gains	18	(1,831)	(518)
Deferred tax effect of non-actuarial movements	18	(101)	(147)
Current tax in relation to pension contributions in the year		361	331
Currency translation differences on foreign currency net investments		21	42
		<hr/>	<hr/>
Total comprehensive income for the year		10,163	5,340
		<hr/> <hr/>	<hr/> <hr/>
<b>Reconciliation of movements in shareholder's funds</b>			
Total comprehensive income for the year		10,163	5,340
Opening shareholder's funds		52,958	47,618
		<hr/>	<hr/>
Closing shareholder's funds		63,121	52,958
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 16 to 39 form part of the financial statements.

# Interface Europe Ltd

Consolidated statement of financial position as at 30 December 2018

<b>Company number 00309779</b>	<b>Note</b>	<b>2018 £'000</b>	<b>2017 £'000</b>
<b>Fixed assets</b>			
Intangible assets	11	-	-
Tangible assets	12	4,952	5,896
		<u>4,952</u>	<u>5,896</u>
<b>Current assets</b>			
Stocks	14	579	800
Debtors			
- due within one year	15	65,527	60,780
- due after more than one year	15	200	300
Cash at bank and in hand		803	1,307
		<u>67,109</u>	<u>63,187</u>
<b>Creditors: amounts falling due within one year</b>	16	<b>(9,051)</b>	<b>(8,093)</b>
		<u>58,058</u>	<u>55,094</u>
<b>Net current assets</b>			
		<u>63,010</u>	<u>60,990</u>
<b>Total assets less current liabilities</b>			
Creditors: amounts falling due after more than one year	17	(118)	(204)
Provisions for liabilities	19	(609)	(600)
		<u>62,283</u>	<u>60,186</u>
<b>Net assets excluding pension liability</b>			
Pension asset / (liability)	25	838	(7,228)
		<u>63,121</u>	<u>52,958</u>
<b>Net assets including pension liability</b>			
		<u>63,121</u>	<u>52,958</u>
<b>Capital and reserves</b>			
Called up share capital	20	34,166	34,166
Share premium account		5,276	5,276
Profit and loss account		23,679	13,516
		<u>63,121</u>	<u>52,958</u>

The financial statements were approved by the Board of Directors and authorised for issue on 27 September 2019.



S Carlton  
Director

The notes on pages 16 to 39 form part of the financial statements.

# Interface Europe Ltd

Company statement of financial position as at 30 December 2018

<b>Company Number 00309779</b>	<b>Note</b>	<b>2018 £'000</b>	<b>2017 £'000</b>
<b>Fixed assets</b>			
Tangible assets	12	6	-
Investments	13	19,971	19,971
		<u>19,977</u>	<u>19,971</u>
<b>Current assets</b>			
Stocks	14	533	785
Debtors			
- due within one year	15	76,850	68,667
- due after more than one year	15	233	341
Cash at bank and in hand		795	1,128
		<u>78,411</u>	<u>70,921</u>
<b>Creditors: amounts falling due within one year</b>	16	<b>(44,071)</b>	<b>(37,556)</b>
		<u>34,340</u>	<u>33,365</u>
<b>Net current assets</b>			
		<b>54,317</b>	<b>53,336</b>
<b>Total assets less current liabilities</b>			
Creditors: amounts falling due after more than one year	17	(118)	(204)
Provisions for liabilities	19	(240)	(43)
		<u>53,959</u>	<u>53,089</u>
<b>Net assets excluding pension liability</b>			
Pension asset / (liability)	25	838	(7,228)
		<u>54,797</u>	<u>45,861</u>
<b>Net assets including pension liability</b>			
		<u>54,797</u>	<u>45,861</u>
<b>Capital and reserves</b>			
Called up share capital	20	34,166	34,166
Share premium account		5,276	5,276
Profit and loss account		15,355	6,419
		<u>54,797</u>	<u>45,861</u>

The company made a loss for the year of £263,000 (2017: profit of £1,456,000)

The financial statements were approved by the Board of Directors and authorised for issue on 27 September 2019.



S Carlton  
Director

The notes on pages 16 to 39 form part of the financial statements.

## Interface Europe Ltd

### Consolidated statement of changes in equity for the year ended 30 December 2018

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total equity £'000
At 1 January 2018	34,166	5,276	13,516	52,958
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	943	944
Other comprehensive income for the year	-	-	9,220	9,452
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	-	10,163	10,396
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 30 December 2018</b>	<b>34,166</b>	<b>5,276</b>	<b>23,679</b>	<b>63,354</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

### Consolidated statement of changes in equity for the year ended 31 December 2017

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total equity £'000
At 2 January 2017	34,166	5,276	8,176	47,618
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	2,583	2,583
Other comprehensive income for the year	-	-	2,757	2,757
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	-	5,340	5,340
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 December 2017</b>	<b>34,166</b>	<b>5,276</b>	<b>13,516</b>	<b>52,958</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## Interface Europe Ltd

### Company statement of changes in equity for the year ended 30 December 2018

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total equity £'000
At 1 January 2018	34,166	5,276	6,419	45,861
<b>Comprehensive income for the year</b>				
Loss for the year	-	-	(263)	(263)
Other comprehensive income for the year	-	-	9,199	9,431
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	-	8,936	9,168
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 30 December 2018</b>	<b>34,166</b>	<b>5,276</b>	<b>15,355</b>	<b>55,029</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

### Company statement of changes in equity for the year ended 31 December 2017

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total equity £'000
At 2 January 2017	34,166	5,276	2,248	41,690
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	1,456	1,456
Other comprehensive income for the year	-	-	2,715	2,715
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	-	4,171	4,171
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 December 2017</b>	<b>34,166</b>	<b>5,276</b>	<b>6,419</b>	<b>45,861</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>



# Interface Europe Ltd

## Consolidated cash flow statement for the year ended 30 December 2018

	Note	2018 £'000	2017 £'000
<b>Net cash (outflow) / inflow from operating activities</b>	21	(26)	35
<b>Returns on investments and servicing of finance</b>			
Interest received	7	-	4
Interest paid	7	-	(1)
<b>Taxation</b>			
Corporation tax paid		(420)	(351)
Overseas tax paid		(21)	-
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets	12	(37)	(239)
<b>Decrease in cash</b>	23	<u>(504)</u>	<u>(552)</u>

The notes on pages 16 to 39 form part of the financial statements.

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2018

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## 1 General information

Interface Europe Ltd's ("the company") principal activity is the distribution of interior floor coverings in the UK and the Middle East.

The company is a private company limited by shares and is incorporated in the United Kingdom and registered in England. The address of the registered office is 10<sup>th</sup> Floor, The Colmore Building, 20 Colmore Circus, Queensway, Birmingham, B4 6AT.

The financial statements are prepared in sterling which is the functional currency of the group.

## 2 Statement of compliance

The financial statements of Interface Europe Ltd have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102") and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (note 3).

## 3 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determine whether leases entered into by the group either as lessor or lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- Determine whether the Restricted Stock Award Scheme should be considered to be under the control or de facto control of the parent company. The judgement that the parent company does exert de facto control has resulted in the Restricted Stock Award Scheme's assets and liabilities being recognised on the parent company and consolidated balance sheets.
- Determine whether any adjustments or disclosures are required as a result of the closure of the Shelf site. Given the closure was announced to UK employees and notice was served on the landlord post year end it is considered appropriate not to recognise relevant provisions for these items.

Other key sources of estimation uncertainty:

- Tangible fixed assets (note 12)

Tangible fixed assets are depreciated over their useful life taking into account residual values, where appropriate. The actual life of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset life, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2018 (*continued*)

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## 4 Summary of significant accounting policies

### *Basis of preparation*

The financial statements are prepared on a going concern basis under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 required the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

The year end 2018 refers to the period from 1 January 2018 to 30 December 2018. The comparative year end refers to the period 2 January 2017 to 31 December 2017.

### *Consolidated financial statements*

The company is a wholly owned subsidiary of Interface Europe Holding BV, a company incorporated in the Netherlands, which is the smallest group of which Interface Europe Ltd is a member and for which group accounts are drawn up.

Interface Inc. is the parent undertaking of the largest group of which Interface Europe Ltd is a member. Copies of its consolidated financial statements are available from 1280 West Peachtree Street, Atlanta, Georgia, 30309, USA.

### *Basis of consolidation*

The group consolidated financial statements include the financial statements of the company and all of its subsidiary undertakings. No income statement is presented for Interface Europe Ltd as permitted by section 408 of the Companies Act 2006.

A subsidiary is an undertaking controlled by the group. Control is the power to govern financial and operating policies of an entity so as to obtain benefit from its activities.

Any subsidiary undertakings sold or acquired during the year are included up to, or from, the dates of change of control.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

### *Turnover*

Turnover represents sales to external customers at invoiced amounts less value added tax. Turnover is recognised when the risks and rewards of owning the goods have passed to the customer, which is generally on delivery.

Profit is recognised on supply and fit contracts if the final outcome can be assessed with reasonable certainty, by including, in the income statement, turnover and related costs as contract activity progresses. Turnover is calculated by reference to the value of work performed to date as a proportion of the total contract value.

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2018 *(continued)*

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## 4 Summary of significant accounting policies *(continued)*

### *Sale and leasebacks*

Sale and leasebacks, by means of an operating lease, are accounted for in the same manner as a standard operating lease. On sale the asset is removed and the profit deferred over the lease term.

### *Operating lease rentals*

Annual rentals are charged to the income statement on a straight line basis over the term of the lease.

### *Intangible assets*

Patents and trademarks are stated at cost less depreciation. Goodwill, patents and trademarks are amortised on a straight line basis for a period not exceeding twenty years which the directors consider to be their useful economic life.

### *Goodwill*

Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. It is capitalised and amortised through the income statement over the directors' estimate of its useful economic life of 20 years. Impairment tests on the carrying value of goodwill are undertaken:

- at the end of the first full financial year following acquisition; and
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

### *Investments*

Investments are stated at cost less provision for permanent diminution in value or at valuation.

### *Tangible fixed assets and depreciation*

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets, 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:

Leasehold improvements	-	over the period of the lease
Plant, machinery and motor vehicles	-	8.33 – 33.33% per annum
Fixtures, fittings and equipment	-	10 - 50% per annum

### *Work in progress*

Work in progress represents accrued income on supply and fit contracts, where the final outcome can be assessed with reasonable certainty. Work in progress is calculated by reference to the value of work performed to date as a proportion of the total contract value.

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2018 *(continued)*

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## 4 Summary of significant accounting policies *(continued)*

### *Foreign currency translation*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the statement of financial position date. Exchange differences arising from the retranslation of the opening net investment in overseas subsidiary undertakings at the year end rate are taken directly to reserves. All other differences are taken to the income statement.

### *Deferred taxation*

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

Deferred tax balances are not discounted.

### *Pensions*

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

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

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

### *Onerous leases*

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

### *Share-based payment*

Where restricted share awards are granted to employees they vest with respect to each recipient over a three year period from the grant date, provided the individual remains in the employment or service of the Company as of the vesting date. Additionally, these shares (or a portion thereof) could vest earlier upon the attainment of certain performance criteria, in the event of a change in control of the company, or upon involuntary termination without cause. The expense in relation to these awards is calculated by reference to the market value of the shares at the date of the grant, and recognised over the vesting period.

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2018 (continued)

## 5 Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the group's ordinary activities, stated net of value added tax.

	2018 £'000	2017 £'000
Turnover by class of business:		
Distribution of interior floor coverings	56,392	57,472
Toll manufacturing	9,380	9,193
Provision of administrative services	6,520	5,923
	<u>72,292</u>	<u>72,588</u>
Turnover by destination:	2018 £'000	2017 £'000
Europe, including United Kingdom	62,668	64,984
Asia / Pacific	561	790
Other	9,063	6,814
	<u>72,292</u>	<u>72,588</u>

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

## 6 Operating profit is stated after charging / (crediting):

	2018 £'000	2017 £'000
Deferred profit on sale of fixed assets	(65)	(65)
Loss on sale of fixed assets	-	9
Depreciation - owned fixed assets	981	930
Operating lease rentals:		
- plant and machinery	824	807
- other	434	422
Fees payable to the group's auditors for the audit of the group's financial statements	77	59
Fees payable to the group's auditors and their associates for other services:		
- Tax services	37	32
- Other services pursuant to legislation	15	15
- Audit of the company's subsidiaries	15	15
Share based payment expense (note 26)	349	234
Foreign exchange (gains) / losses	(107)	26
	<u></u>	<u></u>

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2018 (*continued*)

## 7 Interest

	2018 £'000	2017 £'000
<i>Interest receivable</i>		
From fellow subsidiary undertakings	1,286	605
Other interest receivable	-	4
	<u>1,286</u>	<u>609</u>

	2018 £'000	2017 £'000
<i>Interest payable and similar charges</i>		
Other interest payable	-	1
	<u>-</u>	<u>1</u>

## 8 Employees and directors

### Employees

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

	2018 Number	2017 Number
Sales, marketing and distribution	69	64
Direct production	137	121
Administration	46	50
Management	31	31
	<u>283</u>	<u>266</u>

	£'000	£'000
Employment costs (including directors):		
Wages and salaries	11,845	11,293
Social security costs	1,373	1,274
Defined contribution pension and other costs	759	759
	<u>13,977</u>	<u>13,326</u>

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2018 (continued)

## 8 Employees and directors (continued)

### Directors

The directors' emoluments were as follows:

	2018 £'000	2017 £'000
Fees and remuneration	743	815
Amounts receivable under long term incentive schemes	135	36
Payments to defined contribution pension scheme	18	25
	<u>896</u>	<u>876</u>

One director (2017: three) was a member of a defined contribution scheme.

One director (2017: two) received shares under a long-term incentive scheme.

### Highest paid director

The highest paid director emoluments consist of:

	2018 £'000	2017 £'000
Emoluments and amounts receivable under long-term incentive plans	<u>694</u>	<u>433</u>

### Key management compensation

Key management includes the directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	2018 £'000	2017 £'000
Emoluments and amounts receivable under long-term incentive plans	1,387	1,332
Payments to defined contribution pension scheme	37	35
	<u>1,424</u>	<u>1,367</u>



# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2018 *(continued)*

## 9. Taxation on profit on ordinary activities

	2018 £'000	2017 £'000
<i>Current tax</i>		
UK corporation tax on profits of the year	928	845
Tax overprovided in previous year	(9)	(1)
Overseas tax	24	20
Overseas tax underprovided in previous year	1	1
	944	865
<i>Deferred tax</i>		
Origination and reversal of timing differences (note 18)	(46)	(4)
	898	861
	898	861

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

	2018 £'000	2017 £'000
Profit on ordinary activities before tax	1,841	3,444
	1,841	3,444
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19.00% (2017 – 19.25%)	350	663
Effects of:		
Expenses not deductible for tax purposes	75	61
Capital allowances in excess of depreciation	44	(21)
Short term timing differences	495	173
Difference in overseas tax rates	(12)	(11)
Tax underprovided in previous years	(8)	-
Deferred tax - origination and reversal of timing differences (note 18)	(46)	(4)
	898	861
Tax charge for year	898	861

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2018 (*continued*)

## 10 Company result for the year

The loss attributable to the company which has been dealt with in its own accounts is £263,000 (2017 - profit of £1,456,000). The company has taken advantage of the exemption in Section 408 of the Companies Act 2006 not to present its own Income statement.

## 11 Intangible fixed assets

Group	Intellectual property rights £'000	Patents and trademarks £'000	Goodwill £'000	Total £'000
<i>Cost</i>				
At 1 January and 30 December 2018	357	6	14,119	14,482
<i>Amortisation</i>				
At 1 January and 30 December 2018	357	6	14,119	14,482
<i>Net book value</i>				
At 31 December 2017 and 30 December 2018	-	-	-	-
<b>Company</b>				
<i>Cost</i>				
At 1 January and 30 December 2018	357	6	2,887	3,250
<i>Amortisation</i>				
At 1 January and 30 December 2018	357	6	2,887	3,250
<i>Net book value</i>				
At 31 December 2017 and 30 December 2018	-	-	-	-

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2018 (*continued*)

## 12 Tangible fixed assets

Group	Leasehold improvements £'000	Fixtures, fittings, plant and machinery £'000	Total £'000
<i>Cost</i>			
At 1 January 2018	1,951	14,697	16,648
Additions	31	6	37
	<hr/>	<hr/>	<hr/>
At 30 December 2018	<b>1,982</b>	<b>14,703</b>	<b>16,685</b>
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 January 2018	850	9,902	10,752
Charge for the year	82	899	981
	<hr/>	<hr/>	<hr/>
At 30 December 2018	<b>932</b>	<b>10,801</b>	<b>11,733</b>
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 30 December 2018	<b>1,050</b>	<b>3,902</b>	<b>4,952</b>
	<hr/>	<hr/>	<hr/>
At 31 December 2017	1,101	4,795	5,896
	<hr/>	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>
Company	Leasehold improvements £'000	Fixtures and fittings £'000	Total £'000
<i>Cost</i>			
At 1 January 2018	474	-	474
Additions	-	8	8
	<hr/>	<hr/>	<hr/>
At 30 December 2018	<b>474</b>	<b>8</b>	<b>482</b>
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 January 2018	474	-	474
Charge for the year	-	2	2
	<hr/>	<hr/>	<hr/>
At 30 December 2018	<b>474</b>	<b>2</b>	<b>476</b>
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 30 December 2018	-	<b>6</b>	<b>6</b>
	<hr/>	<hr/>	<hr/>
At 31 December 2017	-	-	-
	<hr/>	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2018 (*continued*)

## 13 Fixed asset investments - unlisted

<b>Group</b>	<b>Shares in unlisted company £'000</b>
<i>Cost</i> At 1 January and 30 December 2018	31
<i>Provisions</i> At 1 January and 30 December 2018	31
<i>Net book value</i> At 31 December 2017 and 30 December 2018	-

<b>Company</b>	<b>Shares in unlisted company £'000</b>	<b>Shares in subsidiary undertakings £'000</b>	<b>Total £'000</b>
<i>Cost</i> At 1 January and 30 December 2018	31	19,971	20,002
<i>Provisions</i> At 1 January and 30 December 2018	31	-	31
<i>Net book value</i> At 31 December 2017 and 30 December 2018	-	19,971	19,971

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2018 *(continued)*

## 13 Fixed asset investments – unlisted *(continued)*

### Subsidiary undertakings

The following were the subsidiary undertakings of the company at the year end and have been included in the consolidated financial statements:

Company	Country of registration or incorporation	Nature of business	Class	Shares held %
Interface Ireland Limited	Ireland	Distribution of interior floor coverings	Ordinary	100
Interface UK Manufacturing Limited	UK	Toll manufacture of interior floor coverings	Ordinary	100
Interface Administration Services Limited	UK	Provision of administration services	Ordinary	100
Interface MEA International Limited	UK	Dormant	Ordinary	100
Interface Europe Pension Scheme Trustees Limited	UK	Dormant	Ordinary	100
Interface Europe Share Participation Trustees Limited	UK	Dormant	Ordinary	100
TF Firth & Sons Limited	UK	Dormant	Ordinary	100
Firth Carpets Limited	UK	Dormant	Ordinary	100

## Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2018 *(continued)*

### 14 Stocks

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Work in progress	265	624	265	624
Finished goods	314	176	268	161
	579	800	533	785
	579	800	533	785

The cost of stock as included within cost of sales amounted to a total of £41,013,000 (2017: £41,455,000).

### 15 Debtors

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
<i>Amounts due within one year:</i>				
Trade debtors	12,887	10,323	11,445	9,381
Amounts owed from group undertakings	51,944	49,790	65,183	58,979
Corporation tax	-	-	-	110
Other debtors	150	130	13	12
Prepayments and accrued income	546	537	209	185
	65,527	60,780	76,850	68,667
<i>Amounts due after more than one year:</i>				
Deferred tax (see note 18)	-	-	33	41
Other debtors	200	300	200	300
	65,727	61,080	77,083	69,008
	65,727	61,080	77,083	69,008

Intercompany balances are unsecured, have no fixed date of repayment and are repayable on demand.

Other debtors falling due after more than one year relate to a rent deposit held in relation to the UK headquarters at Shelf, which is repayable in instalments over four years.

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2018 (*continued*)

## 16 Creditors: amounts falling due within one year

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Trade creditors	752	591	608	439
Amounts owed to group undertakings	3,979	2,769	41,175	34,046
Corporation tax	185	43	5	-
Other taxes and social security costs	1,354	2,429	864	2,048
Other creditors	2,300	1,860	1,261	885
Accruals and deferred income	481	401	158	138
	<u>9,051</u>	<u>8,093</u>	<u>44,071</u>	<u>37,556</u>

Intercompany balances are unsecured, have no fixed date of repayment and are repayable on demand.

## 17 Creditors: amounts falling due after more than one year

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Accruals and deferred income	<u>118</u>	<u>204</u>	<u>118</u>	<u>204</u>

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2018 (continued)

## 18 Deferred tax asset / (liability)

	Group 2018 £'000	Company 2018 £'000
At 1 January 2018	1,092	1,522
Transfer to income statement (note 9)	46	(9)
Transfer to statement of comprehensive income	(1,932)	(1,932)
	<hr/>	<hr/>
At 30 December 2018	<b>(794)</b>	<b>(419)</b>
	<hr/> <hr/>	<hr/> <hr/>

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Recognised as:				
Deferred tax (liability) / asset	<b>(342)</b>	(389)	33	41
Netted off pension asset / liability (note 25)	<b>(452)</b>	1,481	<b>(452)</b>	1,481
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>(794)</b>	1,092	<b>(419)</b>	1,522
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

A deferred tax asset of £1,746,000 (2017 - £1,746,000) in respect of capital losses has not been recognised as there is uncertainty concerning the availability of suitable future taxable profits against which this asset can be offset.

Deferred tax provided in the financial statements is as follows:

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Decelerated / (accelerated) capital allowances	<b>(364)</b>	(423)	20	26
Other timing differences	<b>22</b>	34	<b>13</b>	15
Pension timing difference	<b>(452)</b>	1,481	<b>(452)</b>	1,481
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>(794)</b>	1,092	<b>(419)</b>	1,522
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>



# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2018 (continued)

## 19 Provisions for liabilities

	Deferred taxation £'000	Restructuring provision £'000	Total £'000
<b>Group</b>			
At 1 January 2018	389	211	600
Utilised during the year	-	(141)	(141)
(Credited) / charged during the year	(47)	197	150
	<u>342</u>	<u>267</u>	<u>609</u>
At 30 December 2018	<u>342</u>	<u>267</u>	<u>609</u>
<b>Company</b>			
At 1 January 2018			43
Charged during the year			197
			<u>240</u>
At 30 December 2018			<u>240</u>

Full details of deferred taxation are included at note 18.

## 20 Called up share capital

	2018 Number	2017 Number	2018 £'000	2017 £'000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of 50p each	63,579,407	63,579,407	31,790	31,790
'A' Ordinary shares of 10p each	23,766,677	23,766,677	2,376	2,376
	<u>87,346,084</u>	<u>87,346,084</u>	<u>34,166</u>	<u>34,166</u>

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

The priority and amounts receivable in the event of the winding up of the company are as follows:

'A' Ordinary shares	10p per share
Ordinary shares	50p per share

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2018 (*continued*)

## 21 Reconciliation of operating profit to net cash (outflow) / inflow from operating activities

	2018 £'000	2017 £'000
Operating profit	750	3,148
Profit on sale of fixed assets	(65)	(56)
Depreciation	981	977
Decrease / (increase) in stocks	221	(55)
Increase in debtors	(3,361)	(5,115)
Increase in creditors	795	2,280
Employer contributions to pension liability	(1,900)	(1,656)
Administration expenses relating to pension scheme	2,476	482
Increase / (decrease) in provisions	56	(12)
Foreign exchange loss	21	42
	<u>          </u>	<u>          </u>
Net cash (outflow) / inflow from operating activities	<u>(26)</u>	<u>35</u>

## 22 Reconciliation of net cash outflow to movement in net funds

	2018 £'000	2017 £'000
Decrease in cash in the year	(504)	(552)
Opening net funds	1,307	1,859
	<u>          </u>	<u>          </u>
Closing net funds	<u>803</u>	<u>1,307</u>

## 23 Analysis of net funds

	At 2 January 2018 £'000	Cash flow £'000	At 31 December 2018 £'000
Cash at bank and in hand	1,307	(504)	803
	<u>          </u>	<u>          </u>	<u>          </u>

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2018 (*continued*)

## 24 Financial commitments - operating leases

At 30 December 2018, the company had the following minimum lease payments under non-cancellable operating leases:

Group	2018	2018	2017	2017
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Payments due:				
Within one year	657	255	669	261
In two to five years	777	595	1,450	222
After five years	-	-	-	1
	<u>1,434</u>	<u>850</u>	<u>2,119</u>	<u>484</u>
<b>Company</b>				
Payments due:				
Within one year	180	78	194	164
Between two and five years	184	61	382	119
	<u>364</u>	<u>139</u>	<u>576</u>	<u>283</u>

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2018 (continued)

## 25 Pension costs

The company operates a defined benefit scheme that pays out pensions at retirement based on service and final salary. The Scheme closed to future accrual on 1 April 2010. The assets of the Scheme are held separately from those of the company.

The funding policy is agreed between the Scheme trustees and the company and is formally set out in a Statement of Funding Principles, Schedule of Contributions and Recovery Plan following each full actuarial valuation.

Contributions of £1,900,000 were made during the year (2017 - £1,656,000). Continuing company contributions have been agreed with the trustees and the company expects to contribute £1,900,000 to its defined benefit pension scheme in 2019.

The numbers below are based on the results of the full actuarial valuation of the Scheme as at 5 April 2018. The valuation results have been adjusted to the reporting date, by a qualified independent actuary on a FRS 102 basis, using an approximate roll-forward approach, allowing for benefits paid for members over the period. The projected unit method has been used to calculate the liabilities.

	2018 £'000	2017 £'000
<b>Change in benefit obligation during the year:</b>		
Benefit obligation at 1 January 2018	(142,521)	(140,075)
Movement in year:		
Past service cost	(2,072)	-
Interest cost	(3,494)	(3,639)
Actuarial gains / (losses)	18,571	(4,327)
Benefits paid from Scheme	5,588	5,520
	<u>(123,928)</u>	<u>(142,521)</u>
<b>Change in Scheme assets during the year:</b>		
Fair value of Scheme assets at 1 January 2018	133,812	127,455
Movement in year:		
Interest income	3,299	3,327
Actuarial (losses) / gains on Scheme assets	(7,801)	7,376
Employer contributions	1,900	1,656
Administration expenses	(404)	(482)
Benefits paid from Scheme	(5,588)	(5,520)
	<u>125,218</u>	<u>133,812</u>
<b>Amounts recognised in the statement of financial position:</b>		
Present value of wholly or partly funded obligations	(123,928)	(142,521)
Fair value of Scheme assets	125,218	133,812
	<u>1,290</u>	<u>(8,709)</u>
<b>Scheme surplus / (deficit)</b>	<b>1,290</b>	<b>(8,709)</b>
Related deferred tax (liability) / asset (note 18)	(452)	1,481
	<u>838</u>	<u>(7,228)</u>
<b>Net asset / (liability)</b>	<b>838</b>	<b>(7,228)</b>

## Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2018 *(continued)*

### 25 Pension costs *(continued)*

**Components of pension expense:**

	<b>2018</b>	<b>2017</b>
<i>Amount recognised in the income statement</i>	<b>£'000</b>	<b>£'000</b>
Administration expenses	<b>(404)</b>	(482)
	<hr/>	<hr/>
<i>Recognised in arriving at operating profit</i>	<b>(404)</b>	(482)
Net interest on the defined benefit asset / (liability)	<b>(195)</b>	(312)
	<hr/>	<hr/>
Total recognised in the income statement	<b>(599)</b>	(794)
	<hr/> <hr/>	<hr/> <hr/>
Actual return less expected return on pension scheme assets	<b>(7,801)</b>	7,376
Experience gains and losses arising on the Scheme liabilities	<b>18,571</b>	(4,327)
	<hr/>	<hr/>
	<b>10,770</b>	3,049
	<hr/> <hr/>	<hr/> <hr/>
<i>Analysis of amount recognised in statement of comprehensive income</i>		
Actuarial gains	<b>10,770</b>	3,049
	<hr/> <hr/>	<hr/> <hr/>
<i>Cumulative amount of actuarial losses recognised in the statement of comprehensive income</i>	<b>(21,956)</b>	(32,726)
	<hr/> <hr/>	<hr/> <hr/>

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2018 *(continued)*

## 25 Pension costs *(continued)*

### Principal actuarial assumptions:

<i>Assumptions to determine benefit obligations</i>	<b>2018</b>	<b>2017</b>
Discount rate	<b>2.90%</b>	2.50%
Rate of RPI price inflation	<b>3.25%</b>	3.20%
Rate of CPI price inflation	<b>2.25%</b>	2.20%
Rate of pension increases (RPI capped at 5.0%)	<b>3.10%</b>	3.05%
Rate of pension increases (RPI capped at 2.5%)	<b>2.10%</b>	2.10%

### *Assumptions to determine net pension cost*

Discount rate	<b>2.90%</b>	2.50%
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### *Weighted average life expectancy on post-retirement mortality table used to determine benefit obligation for:*

	<b>2018</b>	<b>2017</b>
Members aged 65 (current male life expectancy)	<b>21.5 years</b>	21.6 years
Members aged 45, male life expectancy at age 65	<b>22.5 years</b>	22.7 years

### Scheme assets

<i>Percentage of Scheme assets by asset allocation</i>	<b>2018</b>	<b>2017</b>
Equities	<b>25%</b>	27%
Bonds / other	<b>75%</b>	73%
	<b>100%</b>	100%
	<b>100%</b>	100%

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2018 *(continued)*

## 25 Pension costs *(continued)*

*History of experience gains and losses*

	<b>2018</b> £'000	<b>2017</b> £'000	<b>2016</b> £'000	<b>2015</b> £'000	<b>2014</b> £'000
Defined benefit obligation	<b>(123,928)</b>	(142,521)	(140,075)	(113,511)	(122,052)
Fair value of Scheme assets	<b>125,218</b>	133,812	127,455	112,959	114,934
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Surplus / (deficit)	<b>1,290</b>	(8,709)	(12,620)	(552)	(7,118)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

<b>Statement of financial position reconciliation</b>	<b>2018</b> £'000	<b>2017</b> £'000
Gross statement of financial position liability at 1 January 2018	<b>(8,709)</b>	(12,620)
Pension expense recognised in income statement in the financial year	<b>(599)</b>	(794)
Amounts recognised in statement of comprehensive income in the financial year	<b>8,698</b>	3,049
Actual contributions made by the company in the financial year	<b>1,900</b>	1,656
	<hr/>	<hr/>
Gross statement of financial position asset / (liability) at 30 December 2018	<b>1,290</b>	(8,709)
	<hr/> <hr/>	<hr/> <hr/>

# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2018 (continued)

## 26 Share based payments

Interface Inc. operates a restricted share award scheme in its own shares for certain senior employees and directors of the group. Certain UK employees are eligible to participate in the Scheme. The awards vest over a three year period from the date of grant, provided that the employee remains in the employment or service of the company as of the vesting date. Additionally the awards vest earlier upon attainment of certain performance criteria, in the event of change of control of Interface Inc., or upon involuntary termination without cause. The awards have an exercise price of £nil.

	<b>2018</b>	<b>2017</b>
	<b>Number</b>	<b>Number</b>
Outstanding at the beginning of the year	49,897	34,159
Granted during the year	20,709	26,738
Surrendered during the year	(645)	-
Vested during the year	(13,932)	(11,000)
	<u>56,029</u>	<u>49,897</u>

All awards that vest are effectively exercised on the same date.

The weighted average share price at the date of vesting of the share awards was \$23.59 (2017 - \$17.85).

The weighted average fair value of the awards granted during the year was \$25.70 (2017 - \$18.19). The fair value of the awards granted has been calculated by reference to the market value of the Interface Inc. shares at the date of grant.

The share-based remuneration expense (note 6) comprises:

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Equity-settled schemes	349	234
	<u>349</u>	<u>234</u>

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



# Interface Europe Ltd

Notes forming part of the financial statements for the year ended 30 December 2018 (*continued*)

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## 27 Contingent liabilities

HMRC has opened an investigation in to the 2015 corporation tax return of Interface Europe Ltd and raised discovery assessments in relation to the 2012, 2013, 2014 corporation tax returns of the company. No provision for any liability has been made within these financial statements.

## 28 Related party transactions

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

## 29 Ultimate parent company

The directors regard Interface Inc., a company incorporated in the United States of America, as the company's ultimate parent undertaking. The immediate parent undertaking is Interface Europe Holding BV, a company incorporated in the Netherlands, which is the smallest group of which Interface Europe Ltd is a member.

Interface Inc. is the parent undertaking of the largest group of which Interface Europe Ltd is a member and for which group accounts are drawn up. Copies of those group accounts are available from 1280 West Peachtree Street, Atlanta, Georgia, 30309, USA.

## 30 Post balance sheet events

In order to further strengthen the UK business in January 2019 and following appropriate consultation it was decided to relocate the UK headquarters from Shelf to Birmingham. This decision was taken following an in depth review of our business, the current operating environment and by speaking with our customers. Through this process we have identified the need to be more centrally located and closer to our UK customer base, and prospective customers, in order to meet our growth expectations. Functions based at the Shelf site, that support Interface's wider EMEA business have been relocated to the newly established EMEA Design Centre in Dean Clough, Halifax. The European group remains committed to the UK market, which is its largest and most important in Europe.

On 28th June 2019 the site closed and 34 employees were made redundant. A further 13 employees, are to be retained until September 2019, October 2019 and March 2020, to help transition roles and provide support for the continuing business.

As no obligating event occurred in respect of these decisions until after 31 December 2018, in line with requirements of FRS102 Section 21, no provision or contingencies have been recorded in these financial statements.