

**COLART CONTRACT MANUFACTURING LIMITED**  
**(formerly ColArt International Holdings Limited)**

**Directors' Report and Financial Statements**

**Year ended 31 December 2006**

WEDNESDAY



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# **COLART CONTRACT MANUFACTURING LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2006**

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# **COLART CONTRACT MANUFACTURING LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2006**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

M W G Henderson	resigned 20 December 2006
E Urnes	appointed 20 December 2006
C Wraight	appointed 20 December 2006
J Keightley	appointed 20 December 2006

#### **SECRETARY**

A D Bowen	resigned 24 April 2007
N Robson	appointed 24 April 2007

#### **REGISTERED OFFICE**

Whitefriars Avenue  
Harrow  
Middlesex

#### **BANKERS**

Nordea Bank Finland  
55 Basinghall Street  
London

Barclays Bank PLC

#### **AUDITORS**

KPMG LLP  
Chartered Accountants  
8 Salisbury Square  
London

# **COLART CONTRACT MANUFACTURING LIMITED**

## **DIRECTOR'S REPORT**

The director presents his annual report and the audited financial statements for the year ended 31 December 2006

### **CHANGE OF NAME**

During the year the company changed its name to ColArt Contract Manufacturing Limited

### **PRINCIPAL ACTIVITIES**

The company acts as the holding company for ColArt Fine Art & Graphics Limited, ColArt Limited, and ColArt Sweden AB. The directors note that in 2007 the company will participate in an additional activity involving the sourcing and sale of artists and craft materials.

### **RESULTS AND DIVIDENDS**

The company's profit after taxation for the financial year was £3,712,000 (2005 £3,549,000). An interim dividend of £3,866,000 was paid during the year (2005 £3,100,000) and the retained loss for the financial year of £154,000 (2005 Profit £449,000) has been transferred from reserves.

### **CHARITABLE AND POLITICAL DONATIONS**

The company made no charitable and political donations during the year (2005 £nil).

### **DIRECTORS**

The following directors held office throughout the year

M W G Henderson	resigned 20 December 2006
E Urnes	appointed 20 December 2006
C Wraight	appointed 20 December 2006
J Keightley	appointed 20 December 2006

The directors had no interests in the shares of the company during the year or any other subsidiary company.

### **DISCLOSURE OF INFORMATION TO AUDITORS**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director to make him or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **AUDITORS**

KPMG LLP have expressed their willingness to continue in office and a resolution to reappoint KPMG LLP as auditors will be put to the Annual General Meeting.

Approved by the Director and signed on behalf of the Board



N Robson

Secretary

7 August 2007

# **COLART CONTRACT MANUFACTURING LIMITED**

## **STATEMENT OF DIRECTOR'S RESPONSIBILITIES IN RESPECT OF THE DIRECTOR'S REPORT AND THE FINANCIAL STATEMENTS**

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to 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 estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COLART CONTRACT MANUFACTURING LIMITED**

We have audited the financial statements of ColArt Contract Manufacturing Limited for the year ended 31 December 2006 which comprise the profit and loss account, the reconciliation of movement in shareholders' funds, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

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

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

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

*WPA 6 LLP*

**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*  
*London*

7 August 2007

# COLART CONTRACT MANUFACTURING LIMITED

## PROFIT AND LOSS ACCOUNT

Year ended 31 December 2006

	Note	2006 £'000	2005 £'000
Administrative expenses		(468)	(352)
<b>OPERATING LOSS</b>	2	(468)	(352)
Fixed assets investments income	6	4,866	4,600
Interest payable and similar charges	7	(1,180)	(1,144)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	3	3,218	3,104
Tax credit on profit on ordinary activities	8	494	445
<b>PROFIT FOR THE FINANCIAL YEAR</b>	16	3,712	3,549

The above results all arise from continuing activities

The company has no recognised gains and losses other than those included in the results above and therefore no separate statement of total recognised gains and losses has been presented

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents

## **COLART CONTRACT MANUFACTURING LIMITED**

### **RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

**Year ended 31 December 2006**

	<b>2006</b> <b>£'000</b>	<b>2005</b> <b>£'000</b>
Profit for the financial year	3,712	3,549
Dividends paid on equity shares	(3,866)	(3,100)
	<hr/>	<hr/>
Net (deduction from) / addition to shareholders' funds	(154)	449
Opening shareholders' funds	28,097	27,648
	<hr/>	<hr/>
Closing shareholders' funds	27,943	28,097
	<hr/>	<hr/>



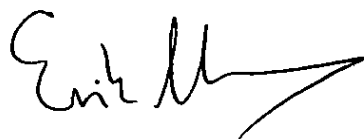
# COLART CONTRACT MANUFACTURING LIMITED

## BALANCE SHEET 31 December 2006

	Note	2006 £'000	2005 £'000
<b>FIXED ASSETS</b>			
Investments	10,11	<u>48,721</u>	<u>48,721</u>
<b>CURRENT ASSETS</b>			
Debtors amounts falling due in less than one year	12	1,205	1,050
Debtors amounts falling due after more than one year	12	<u>8</u>	<u>8</u>
		1,213	1,058
<b>CREDITORS: amounts falling due within one year</b>	13	<u>(9,782)</u>	<u>(9,970)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(8,569)</u>	<u>(8,912)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		40,152	39,809
<b>CREDITORS: amounts falling due after more than one year</b>	14	<u>(12,209)</u>	<u>(11,712)</u>
<b>TOTAL NET ASSETS</b>		<u>27,943</u>	<u>28,097</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	27,500	27,500
Profit and loss account	16	<u>443</u>	<u>597</u>
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>	17	<u>27,943</u>	<u>28,097</u>

These financial statements were approved by the Board of Directors on 7 August 2007

Signed on behalf of the Board of Directors



E Urnes

Director

# COLART CONTRACT MANUFACTURING LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2006

### 1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

#### **Basis of accounting**

The financial statements have been prepared in accordance with applicable Accounting Standards and under the historical cost convention. The principle accounting policies of the company are set out below. The policies have remained unchanged from the previous year.

The company has taken advantage afforded by Section 228 of the Companies Act 1985 as it is an intermediate holding company whose group parent company is Wilhelm Becker AB, which prepares consolidated accounts not to prepare consolidated accounts and the exemption under the terms of Financial Reporting Standard No 1 from publishing a cash flow statement. Consequently these financial statements present the results of the company and not of the group.

#### **Investments**

Fixed asset investments are shown at cost less provision for impairment.

#### **Foreign currency**

Assets and liabilities denominated in foreign currencies have been translated into sterling at the exchange rates ruling at the balance sheet date. Transactions during the year have been translated at the rate ruling at the time of the transaction or, if appropriate, at the forward contract rate. Exchange differences from transactions arising in the normal course of trading are taken to the Profit and Loss account.

#### **Taxation**

UK Corporation Tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

# COLART CONTRACT MANUFACTURING LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2006

### 2. OPERATING PROFIT

The operating profit is wholly derived within the United Kingdom from the company's principal activity

### 3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging the following

	2006 £'000	2005 £'000
Auditors' remuneration	<u>3</u>	<u>3</u>

### 4. DIRECTOR'S EMOLUMENTS AND INTERESTS

No emoluments were paid to the director for duties undertaken on behalf of the company during the year (2005 £nil)

### 5. EMPLOYEE INFORMATION

The company employed no staff except the directors and company secretary during the year or the preceding year

### 6. FIXED ASSETS INVESTMENTS INCOME

	2006 £'000	2005 £'000
Investment income		
- Income from group undertakings	<u>4,866</u>	<u>4,600</u>

### 7. INTEREST PAYABLE AND SIMILAR CHARGES

	2006 £'000	2005 £'000
Interest payable and similar charges		
- Loans from group undertakings	497	471
- Bank loans and overdrafts	<u>683</u>	<u>673</u>
	<u>1,180</u>	<u>1,144</u>

# COLART CONTRACT MANUFACTURING LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2006

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

	2006 £'000	2005 £'000
UK Corporation tax	-	-
Adjustment in respect of prior periods	1	4
Tax credit in respect of group relief		
Current year	(495)	(449)
Current year tax credit	<u>(494)</u>	<u>(445)</u>
Profit on ordinary activities before tax	<u>3,218</u>	<u>3,104</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2005 30%)	965	931
Effects of		
Dividends received from UK subsidiaries	(1,460)	(1,380)
Adjustment to the tax charge in respect of previous periods	1	4
	<u>(494)</u>	<u>(445)</u>

The company has an unrecognised potential deferred tax asset of £855,000 (2005 £855,000) in respect of excess management expenses carried forward

### 9. DIVIDENDS PAID

	2006 £'000	2005 £'000
Dividend on equity shares		
Interim dividend paid	<u>3,866</u>	<u>3,100</u>

### 10. FIXED ASSET INVESTMENTS

	£'000
Interests in group undertakings	
Cost and net book value at 1 January 2006 and 31 December 2006	<u>48,721</u>

# COLART CONTRACT MANUFACTURING LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2006

### 11. INTERESTS IN GROUP UNDERTAKINGS

The director considers that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. The following information relates to those subsidiary undertakings whose results or financial position, in the opinion of the directors, are material.

	Class of shares (see below)	% of issued shares held	Country of incorporation/ registration
ColArt Fine Art and Graphics Limited	(a)	100	England/Wales
ColArt Limited	(b)	100	England/Wales
ColArt Sweden AB	(c)	100	Sweden

Note	(a)	Ordinary 25p shares
	(b)	Ordinary £1 shares
	(c)	Ordinary 100SEK shares

The principal activity of ColArt Fine Art and Graphics Limited is the manufacture and distribution of art and craft materials. The principal activity of ColArt Sweden is the distribution of art and craft materials. ColArt Limited is an intermediary holding company, which owns 100% of ColArt International SA and 100% of ColArt Americas Inc. The principal activity of ColArt International SA is the manufacture and distribution of art and craft materials, the principal activity of ColArt Americas Inc is the distribution of art and craft materials.

### 12. DEBTORS

	2006 £'000	2005 £'000
<b>Amounts falling due within one year</b>		
Group relief receivable	939	824
Amounts owed by group undertakings	169	86
Prepayments	97	140
	<u>1,205</u>	<u>1,050</u>
<b>Amounts falling due after more than one year</b>		
Amounts owed by group undertakings	<u>8</u>	<u>8</u>

### 13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £'000	2005 £'000
Bank overdrafts	9,192	9,287
Amounts owed to group undertakings	547	617
Other creditors	43	66
	<u>9,782</u>	<u>9,970</u>

Interest on the bank overdraft is chargeable at rates of not more than 1.65% above bank base rate.

# COLART CONTRACT MANUFACTURING LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2006

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

	2006 £'000	2005 £'000
Bank loans	1,254	1,254
Amounts owed to group undertakings	10,955	10,458
	<u>12,209</u>	<u>11,712</u>

### 15. CALLED UP SHARE CAPITAL

	2006 £'000	2005 £'000
<b>Authorised:</b>		
50,000,000 ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>
<b>Called up, allotted and fully paid</b>		
27,500,002 ordinary shares of £1 each	<u>27,500</u>	<u>27,500</u>

### 16. PROFIT AND LOSS ACCOUNT

	£'000
At 1 January 2006	597
Profit for the financial year	3,712
Dividends paid on equity shares	<u>(3,866)</u>
At 31 December 2006	<u>443</u>

### 17. CONTINGENT LIABILITIES

The company is part of a Group-banking guarantee, which guarantees the bank loan obligations of ColArt International Holdings Limited (formerly ColArt Investments Limited) and its subsidiaries. This guarantee on the banking facilities is supported by the following:

- (i) charge on the shares in the main subsidiary undertakings,
- (ii) charge on the brands in the main subsidiary undertakings,
- (iii) fixed and floating charge over the assets of companies registered in the United Kingdom, and
- (iv) charge over some of the assets of overseas subsidiaries

Interest on the loan is charged at a rate of LIBOR plus 1.65% and is fixed every six months.

### 18. RELATED PARTY TRANSACTIONS

As a 100% owned subsidiary, the company is exempt under the terms of FRS 8 'Related Party Disclosures' from disclosing details of transactions with either its ultimate parent company, Wilhem Becker AB, or fellow subsidiaries.

### 19. HOLDING COMPANIES

The immediate parent company is ColArt Finance Limited, which is incorporated in Great Britain and registered in England and Wales. The ultimate holding company is Lindengruppen AB, a company incorporated and registered in Sweden.

The parent company of the largest and smallest group of which the company is a member and for which group financial statements are drawn up is Wilhem Becker AB, a company incorporated and registered in Sweden. Copies of the consolidated financial statements of Wilhelm Becker AB can be obtained from Bruksgården, SE-268 83, Höganas, Sweden.

# **COLART CONTRACT MANUFACTURING LIMITED**

## **NOTES TO THE ACCOUNTS**

**Year ended 31 December 2006**

### **20. SIGNIFICANT EVENTS AFTER THE YEAR END**

On 21 March 2007, it was announced that the corporation tax rate is to decrease from 30% to 28%, effective from 1 April 2008. The new tax rate will be substantively enacted when the Bill for 2007 Finance Act is passed.

Subsequent to the year end, the financing arrangements of the AB Wilh Becker group, including ColArt Contract Manufacturing Limited, have been reviewed and restructured. ColArt Contract Manufacturing Limited is now dependent for its working capital and growth on a facility provided by AB Wilh Becker, the company's ultimate parent company. The directors consider that the group will continue to operate within the financing facilities currently available and accordingly the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

There have been no other significant events since the year end.