

**Forbo Flooring UK Limited**

**Directors' report and financial  
statements**

Registered number SC041400

31 December 2012

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## **Company information**

### **Directors**

AN Hall (resigned 18 June 2012)  
KT Kaiser (resigned 30 June 2012)  
DA Keist (resigned 1 January 2013)  
T Colas  
AB Fotheringham  
M Huenerwadel (appointed 15 March 2013)  
D Greenway (appointed 15 March 2013)  
A Spreiter (appointed 15 March 2013)

### **Secretary**

EJ Speed

### **Registered office**

Den Road  
Kirkcaldy  
Fife  
KY1 2ER

### **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants  
Registered Auditors  
Erskine House  
68 - 73 Queen Street  
Edinburgh  
EH2 4NH

## **Directors' report**

The directors have pleasure in presenting their report and the audited financial statements of the company for the year ended 31 December 2012.

### **Business review and principal activities**

The principal activities of the company during the year to 31 December 2012 were the manufacture and sale of floor coverings.

The results of company for the year ended 31 December 2012 have been affected by difficult global trading conditions which adversely impacted sales to export markets whilst in the UK sales were comparable to the prior year.

The operating loss for the year of £43,000 is after a charge of £2,421,000 for goodwill amortisation.

### **Principal risks and uncertainties**

Competitive pressure in the UK is a continuing risk for the company, which could result in it losing sales to its key competitors. To manage this risk, the company strives to provide a broad portfolio of added-value products and services to its customers; prompt response times in the supply of products and services and in the handling of customer queries; and through the maintenance of strong relationships with customers. In 2012, for the first time, the company was awarded Manufacturer of the Year by the Contract Flooring Journal, as voted by the company's main customer group of flooring contractors.

The global recession continues to impact the business, particularly in European and US markets. This situation is being addressed by the continuing evaluation of and entry into new geographical markets with growth potential.

The company's businesses may be affected by fluctuations in the price and supply of key raw materials, although purchasing policies and practices seek to mitigate, where practicable, such risks.

The company meets its funding requirements by means of loans from its ultimate parent undertaking, Forbo Holding AG, and other group companies. As such the company's funding position is considered to be secure for the foreseeable future.

The directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

### **Environment**

The company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to mitigate any adverse impact that might be caused by its activities. Initiatives aimed at minimising the company's impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption. The company has introduced a 'Back to the Floor' scheme for customers, a waste recycling service for product off cuts based at its Kirkcaldy and Ripley facilities.

### **Employees**

Details of the number of employees and related costs can be found in note 4 to the financial statements.

## **Directors' report** *(continued)*

### **Results and dividends**

The results for the year ended 31 December 2012 are set out in the attached profit and loss account.

No dividends were paid during the year ended 31 December 2012 (2011 : £7,650,000).

### **Directors**

The directors who held office during the year and up to the date of this report were as follows:

AN Hall (resigned 18 June 2012)  
KT Kaiser (resigned 30 June 2012)  
DA Keist (resigned 1 January 2013)  
T Colas  
AB Fotheringham  
M Huenerwadel (appointed 15 March 2013)  
D Greenway (appointed 15 March 2013)  
A Spreiter (appointed 15 March 2013)

### **Employment of disabled persons**

It is the policy of the company to give full and fair consideration to applications for employment received from disabled persons, having regard to their particular aptitudes and abilities; and wherever possible to continue the employment of, and to arrange appropriate training for, employees who have become disabled persons during the period of their employment by the company. The company provides the same opportunities for training, career development and promotion for disabled as for other employees.

### **Employee involvement**

The company's overall policy is to keep employees informed on matters of concern to them and to encourage employee involvement.

### **Payments to suppliers**

The company's strategy is to develop mutually beneficial relationships with its key suppliers. The company's policy in relation to all of its suppliers is to settle the terms of the transaction and to abide by those terms, provided that it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

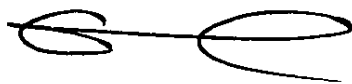
### **Disclosure of information to auditors**

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 they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### **Independent auditors**

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

By order of the board



**EJ Speed**  
*Company secretary*

27<sup>th</sup> May 2013

## **Statement of directors' responsibilities in respect of the directors' 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 prepared the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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;
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FORBO FLOORING UK LIMITED**

We have audited the financial statements of Forbo Flooring UK Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, 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).

### **Respective responsibilities of directors and auditors**

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

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss 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 matter prescribed by the Companies Act 2006**

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

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FORBO FLOORING UK LIMITED (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.

*M. Cowie*

Martin Cowie (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Edinburgh

*28 May 2013*



**Profit and loss account**  
*for the year ended 31 December 2012*

	<i>Note</i>	<b>2012</b> <b>£000</b>	<b>2011</b> <b>£000</b>
<b>Turnover</b>	2	<b>107,691</b>	122,980
Cost of sales		<b>(84,732)</b>	(89,870)
<b>Gross profit</b>		<b>22,959</b>	33,110
Distribution costs		<b>(3,097)</b>	(3,596)
Administration expenses		<b>(19,905)</b>	(19,634)
<b>Operating (loss) / profit</b>	3	<b>(43)</b>	9,880
Fixed asset investment write down		-	(5,078)
Income from shares in group undertakings		-	2,604
Other interest receivable and similar income	6	72	142
Interest payable and similar charges	7	<b>(1,706)</b>	(987)
Other finance income / (charge)	20	310	(451)
<b>(Loss) / profit on ordinary activities before taxation</b>		<b>(1,367)</b>	6,110
Tax on (loss) / profit on ordinary activities	8	<b>(445)</b>	(820)
<b>(Loss) / profit on ordinary activities after taxation</b>	18	<b>(1,812)</b>	5,290

All operations are continuing. There is no difference between the result reported in the profit and loss account and the result on an unmodified historical cost basis.

**Statement of total recognised gains and losses**  
*for the year ended 31 December 2012*

	<i>Note</i>	<b>2012</b> <b>£000</b>	<b>2011</b> <b>£000</b>
(Loss) profit for the financial year		<b>(1,812)</b>	5,290
(Loss) / gain on pension scheme	20	<b>(6,410)</b>	4,278
Effect of surplus cap on pension scheme	20	<b>5,153</b>	(5,328)
Movement on deferred tax relating to pension liability		315	434
		<b>(2,754)</b>	4,674

**Balance sheet**  
*as at 31 December 2012*

	Note	2012	2011
		£000	£000
<b>Fixed assets</b>			
Intangible assets	9	36,831	39,252
Tangible assets	10	22,487	21,912
Investments	11	2,794	2,794
		<u>62,112</u>	<u>63,958</u>
<b>Current assets</b>			
Stocks	12	15,805	15,313
Debtors	13	18,921	25,195
Cash at bank and in hand		9,355	12,982
		<u>44,081</u>	<u>53,490</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(57,290)</u>	<u>(67,328)</u>
<b>Net current liabilities</b>		<u>(13,209)</u>	<u>(13,838)</u>
<b>Total assets less current liabilities</b>		<u>48,903</u>	<u>50,120</u>
<b>Creditors: amounts falling due after more than one year</b>	14	(1,060)	(396)
<b>Deferred income</b>	15	(1,098)	(1,150)
<b>Net assets excluding pension asset</b>		<u>46,745</u>	<u>48,574</u>
Pension asset	20	200	1,125
<b>Net assets including pension asset</b>		<u>46,945</u>	<u>49,699</u>
<b>Capital and reserves</b>			
Called up share capital	17	3,610	3,610
Share premium account	18	32,973	32,973
Capital reserve	18	220	220
Profit and loss account	18	10,142	12,896
<b>Shareholder's funds</b>	19	<u>46,945</u>	<u>49,699</u>

The financial statements of Forbo Flooring UK Limited, registered number SC041400, were approved by the board of directors and authorised for issue on **27<sup>th</sup>** May 2013.



**A Fotheringham**  
Director

## **Notes**

*(forming part of the financial statements)*

### **1. Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

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

The financial statements have been prepared in accordance with applicable accounting standards under UK GAAP, on a going concern basis and under the historical cost accounting rules.

The company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

Details of a departure from the Companies Act are set out below in the accounting policies on investments.

#### ***Going concern basis***

The company meets its funding requirements by means of loans from its ultimate parent undertaking, Forbo Holding AG, and other group companies. As such the company's funding position is considered to be secure for the foreseeable future. After making enquiries and having considered the company's funding requirements, the directors have a reasonable expectation that the company has adequate financial resources to enable it to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

#### ***Cash flow statement***

Under FRS 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 Forbo Holding AG. The results of the company are included in the consolidated financial statements of Forbo Holding AG which are publicly available.

#### ***Taxation***

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

#### ***Goodwill***

The goodwill is being amortised over its expected useful life, which the directors consider to be 20 years. Goodwill includes purchased goodwill and goodwill reallocated from investments as a result of hive ups of subsidiary companies' trade and assets.

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

The cost of tangible fixed assets is depreciated to its estimated residual value over the following estimated useful lives:

Freehold buildings	- 50 years
Leasehold property	- over the term of the lease
Fixtures and fittings	- 5 years
Plant and equipment	- 5 to 18 years
Computer equipment	- 3 to 5 years
Motor vehicles	- 4 years
Other assets	- 4 years

No depreciation is provided on freehold land.

## **Notes (continued)**

### **1. Accounting policies (continued)**

#### ***Fixed asset investments***

Investments are stated at cost less provisions considered necessary by the directors for any permanent diminution in value of those investments.

When a new subsidiary is acquired and the business and assets of that entity are hived up into the company this can lead to net assets being transferred at their book value which may be less than fair value. The cost of investments in subsidiaries reflects the underlying fair value of its net assets and goodwill at the time of acquisition. Therefore, as a result of the transfers of net assets, the value of the company's investment in subsidiaries can fall below the amount stated in the company's books. UK company law requires that investments be written down accordingly and that the amount be charged as a loss in the company's profit and loss account. However, in these cases the directors consider that since there has been no overall loss to the company, it would fail to give a true and fair view to charge any diminution in value to the company's profit and loss account for the year and so it should instead reallocate the diminution in value in the company's balance sheet to goodwill.

#### ***Foreign currencies***

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date. Gains or losses on translation are included in the profit and loss account.

#### ***Leases***

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

#### ***Pension costs***

The company operates defined contribution pension schemes. The assets of the defined contribution schemes are held separately from those of the company in an independently administered fund. Pension contributions are charged to the profit and loss account as they become due and payable in accordance with the rules of the scheme.

The Forbo Superannuation Fund is a defined benefit pension scheme providing benefits based on final pensionable pay to certain employees. The assets of the scheme are held separately from those of the company being invested through investment managers and managed by Pension Scheme Trustees.

In accordance with FRS 17, the service cost of pension provision relating to the period, together with the cost of any benefits relating to past service, is charged to the profit and loss account. A charge equal to the increase in the present value of the scheme's liabilities (because the benefits are closer to settlement) and a credit equivalent to the company's long-term expected return on assets (based on the market value of the scheme's assets at the start of the period), are included in the profit and loss account under 'other finance income.'

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### ***Pension costs (continued)***

The difference between the market value of the assets of the scheme and the present value of accrued pension liabilities is shown as an asset or liability on the balance sheet net of deferred tax. Deferred tax assets in respect of pension scheme liabilities are only recognised to the extent that they are considered to be recoverable. Any difference between the expected return on assets and that actually achieved is recognised in the statement of total recognised gains and losses along with differences which arise from experience or assumption changes.

The Forbo Superannuation Fund is closed to new entrants.

Further details of the schemes are disclosed in note 20.

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

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

#### ***Stocks***

Stocks are valued at the lower of cost and net realisable value. The cost of raw materials and bought-in components is based on actual cost including freight and handling charges. For work in progress and finished goods, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

#### ***Government grants***

Revenue grants are credited to the profit and loss account when received. Capital grants receivable are credited to deferred income and amortised in the profit and loss account over the estimated lives of the qualifying assets.

#### ***Turnover***

Turnover comprises the fair value of consideration received or receivable for the sale of goods and services in the ordinary course of the company's activities. Turnover is shown net of value added tax, returns, rebates and discounts.

The company manufactures and sells floor coverings and provides a sub-contracted fitting service. Sales of goods are recognised when the product has been delivered to the specified location and risk transferred to the customer. Service revenue is recognised post fitting and upon receiving approval from the customer.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Classification of financial instruments issued by the company*

Under FRS 25, financial instruments issued by the company are treated as equity (i.e. forming part of shareholder's funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholder's funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholder's funds.

#### *Dividends on shares presented within shareholder's funds*

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

### 2. Analysis of turnover

The analysis of turnover by geographical area is as follows:

	2012 £000	2011 £000
<i>Geographical area</i>		
UK	66,209	67,236
Overseas	41,482	55,744
	<hr/> 107,691 <hr/>	<hr/> 122,980 <hr/>

**Notes (continued)**

**3. Operating (loss) / profit**

	2012 £000	2011 £000
<i>Operating (loss) / profit is stated after charging:</i>		
Depreciation - owned assets	2,512	2,507
- leased assets	207	219
Amortisation of goodwill	2,421	2,421
Operating lease charges – land and buildings	371	388
Operating lease charges - plant and machinery	325	285
Research and development expenditure	1,217	1,188
Loss on sale of fixed assets	16	4
<i>Auditors' remuneration:</i>		
- audit of these financial statements	34	33

**Notes (continued)**

**4. Staff numbers and costs**

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	2012 Number	2011 Number
Production	343	349
Sales	107	106
Administration	117	122
	<u>567</u>	<u>577</u>

The aggregate payroll cost of these persons was as follows:

	2012 £000	2011 £000
Wages and salaries	16,775	17,324
Social security costs	1,507	1,435
Other pension costs	857	545
	<u>19,139</u>	<u>19,304</u>

**5. Directors' remuneration**

	2012 £000	2011 £000
Directors' emoluments	221	291
Pension contributions	9	11
Compensation for loss of office	33	-
	<u>263</u>	<u>302</u>

The emoluments of the highest paid director were £124,000 (2011: £162,000). In addition company pension contributions of £4,000 (2011: £7,000) were made to a money purchase scheme on behalf of the highest paid director.

Retirement benefits are accruing to two (2011: two) directors under money purchase pension schemes.

**6. Other interest receivable and similar income**

	2012 £000	2011 £000
Bank interest receivable	24	20
Interest receivable from group undertakings	48	122
	<u>72</u>	<u>142</u>



**Notes (continued)**

**7. Interest payable and similar charges**

	2012 £000	2011 £000
Bank interest payable	5	2
Interest payable to group undertakings	1,644	942
Finance charges payable in respect of finance leases	57	43
	<u>1,706</u>	<u>987</u>

**8. Tax on profit on ordinary activities**

	2012 £000	2011 £000
<i>Tax on (loss) / profit on ordinary activities is as follows:</i>		
United Kingdom corporation tax at 24.5% (2011: 26.5%)		
Current period	(420)	683
Previous periods	(34)	(194)
	<u>(454)</u>	<u>489</u>
<i>Deferred taxation</i>		
Origination and reversal of timing differences	581	4
Adjustment in respect of previous years	-	8
Rate adjustment	318	319
	<u>445</u>	<u>820</u>

**Factors affecting the tax charge**

The current tax (credit) / charge is higher (2011: lower) than the standard rate of corporation tax in the UK of 24.5% (2011: 26.5%). The differences are explained below:

	2012 £000	2011 £000
<i>Current tax reconciliation:</i>		
(Loss) / profit on ordinary activities before taxation	(1,367)	6,110
	<u>(335)</u>	<u>1,619</u>
<i>Effects of:</i>		
Non-deductible expenses	567	689
Difference between capital allowances and depreciation	(619)	(965)
Pension costs relief	-	(360)
Other short term timing differences	(1)	(4)
Utilisation of prior year losses	-	(951)
Write down of investment in subsidiary	-	1,345
Income from subsidiary	-	(690)
Adjustment in respect of previous periods	(34)	(194)
Current year rate difference	(32)	-
	<u>(454)</u>	<u>489</u>

## Notes (continued)

### 9. Intangible fixed assets

	<b>Goodwill £000</b>
<i>Cost</i>	
At 1 January and 31 December 2012	48,454
<i>Amortisation</i>	
At 1 January 2012	9,202
Charge for the year	2,421
At 31 December 2012	11,623
<i>Net book value</i>	
At 31 December 2012	36,831
At 31 December 2011	39,252

Goodwill is amortised over a period of 20 years.

### 10. Tangible fixed assets

	<b>Freehold land and buildings £000</b>	<b>Leasehold property £000</b>	<b>Plant and equipment £000</b>	<b>Computer equipment £000</b>	<b>Motor vehicles £000</b>	<b>Other assets £000</b>	<b>Total £000</b>
<i>Cost</i>							
At 1 January 2012	16,243	92	52,085	6,220	1,116	1,524	77,280
Additions	167	-	564	200	895	1,505	3,331
Disposals	(3)	-	(6)	-	(700)	-	(709)
Reclassification	-	-	2,056	-	-	(2,056)	-
At 31 December 2012	16,407	92	54,699	6,420	1,311	973	79,902
<i>Accumulated depreciation</i>							
At 1 January 2012	6,558	47	42,396	5,640	727	-	55,368
Charge for year	395	-	1,913	204	207	-	2,719
Disposals	(1)	-	(2)	-	(669)	-	(672)
At 31 December 2012	6,952	47	44,307	5,844	265	-	57,415
<i>Net book value</i>							
At 31 December 2012	9,455	45	10,392	576	1,046	973	22,487
At 31 December 2011	9,685	45	9,689	580	389	1,524	21,912

## Notes (continued)

### 10. Tangible fixed assets (continued)

The gross book value of freehold land and buildings includes land of £557,000 (2011: £557,000) which is not depreciated.

Included in the total net book value of plant and machinery is £1,047,000 (2011: £389,000) in respect of assets held under finance leases. The depreciation charge for the year in respect of these assets is disclosed in note 3 to the financial statements.

Other assets as at 31 December 2012 comprises assets under the course of construction of £973,000 (2011: £1,524,000).

### 11. Fixed asset investments

<i>Cost</i>	£000
At 1 January 2012 and 31 December 2012	2,794

Fixed asset investments are as follows:

Subsidiary company	Country of registration or incorporation	Principal activity	Class and percentage of shares held
Westbond Limited	United Kingdom	Dormant	Ordinary 100%
Forbo UK Limited	United Kingdom	Dormant	Ordinary 100%
Forbo-Nairn Limited	United Kingdom	Dormant	Ordinary 100%*

\* Held via Forbo UK Limited

The directors believe that the carrying value of the investments is supported by their underlying net assets.

### 12. Stocks

	2012 £000	2011 £000
Raw materials and consumables	2,750	2,968
Work in progress	2,253	2,415
Finished goods and goods for resale	10,802	9,930
	<u>15,805</u>	<u>15,313</u>

## Notes (continued)

### 13. Debtors

	2012 £000	2011 £000
Trade debtors	7,241	8,054
Amounts owed by group undertakings	7,100	11,592
Corporation tax	513	-
Deferred tax asset (note 16)	3,078	3,977
Other debtors	989	1,572
	<u>18,921</u>	<u>25,195</u>

Amounts owed by group undertakings at 31 December 2011 included £2,285,000 receivable after more than one year. The entity which the balance was due from was sold by the Forbo Group following 31 December 2011 and the loan was repaid in full.

### 14. Creditors

	2012 Due within one year £000	Due after one year £000	2011 Due within one year £000	Due after one year £000
Obligations under finance leases	23	1,015	50	351
Trade creditors	11,070	-	10,983	-
Amounts owed to group undertakings	40,010	-	48,332	-
Corporation tax	-	-	1,004	-
Other taxation and social security	769	-	736	-
Other creditors	5,418	45	6,223	45
	<u>57,290</u>	<u>1,060</u>	<u>67,328</u>	<u>396</u>

Included within the amounts due to group undertakings are unsecured loans totalling £32,262,000 (2011: £41,313,000) which have a commercial rate of interest applied to them. These loans do not have fixed repayment terms.

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	2012 £000	2011 £000
Within one year	23	50
In the second to fifth years	1,015	351
	<u>1,038</u>	<u>401</u>

**Notes (continued)**

**15. Deferred income**

<b>Government grant</b>	<b>£000</b>
At 1 January 2012	1,150
Profit and loss account credit	(52)
	<hr/>
At 31 December 2012	<b>1,098</b>
	<hr/>

**16. Deferred taxation**

The deferred tax asset is as follows:-	<b>£000</b>
At 1 January 2012	3,977
Profit and loss account charge for the year	(899)
	<hr/>
At 31 December 2012	<b>3,078</b>
	<hr/>

The deferred tax asset is based on a corporation tax rate of 23% (31 December 2011: 25%). The directors are confident that the company will be sufficiently profitable in the short term to utilise the deferred tax asset.

	2012 £000	2011 £000
<i>Total effect of timing differences</i>		
Capital allowances in excess of depreciation	1,899	2,696
Other short term timing differences	29	31
Tax losses	1,150	1,250
	<hr/>	<hr/>
	3,078	3,977
Deferred tax liability on pension asset (note 20)	(60)	(375)
	<hr/>	<hr/>
Asset at end of year net of deferred tax on pension asset	<b>3,018</b>	3,602
	<hr/>	<hr/>

	2012 £000	2011 £000
<i>Deferred tax liability relating to pension asset (note 20)</i>		
At 1 January	(375)	(809)
Credited to statement of total recognised gains and losses	315	434
	<hr/>	<hr/>
At 31 December	<b>(60)</b>	(375)
	<hr/>	<hr/>

The deferred tax liability of £60,000 (2011 : £375,000) has been deducted in arriving at the net pension surplus on the balance sheet (note 20).

## Notes (continued)

### 16. Deferred taxation (continued)

In the Budget statement by the Chancellor of the Exchequer on 21 March 2012 various changes to corporation tax were announced, and in particular to the rates to be applied from 1 April 2013 and 2014 of 24% and 23% respectively. In addition, in the Budget statement of 20 March 2013 further reductions to corporation tax were proposed to reduce the rates to 21% from 1 April 2014 and 20% from 1 April 2015. The main corporation tax rate from that date will be 20%.

Accordingly, the deferred tax balance at 31 December 2012, included within these financial statements, which was calculated at a rate of 23%, being the rate enacted in the Finance Act 2012, would be reduced by £277,000 assuming the proposed rate of 21% from 1 April 2014 is enacted.

If the rate changes to 20% had been substantively enacted on or before the balance sheet date it would have had the effect of reducing the deferred tax liability or tax asset recognised at that date.

### 17. Called up share capital

	2012 £000	2011 £000
<i>Authorised, allotted, called up and fully paid:</i>		
Ordinary shares of £1 each	3,610	3,610

### 18. Reserves

	Share premium account £000	Capital reserve £000	Profit and loss account £000
At 1 January 2012	32,973	220	12,896
Loss for the year	-	-	(1,812)
Actuarial loss on pension scheme net of deferred tax	-	-	(942)
<b>At 31 December 2012</b>	<b>32,973</b>	<b>220</b>	<b>10,142</b>
Pension asset			(200)
Profit and loss account excluding pension asset			<b>9,942</b>

### 19. Reconciliation of movements in shareholder's funds

	2012 £000	2011 £000
(Loss) / profit for the financial year	(1,812)	5,290
Actuarial loss on pension scheme net of deferred tax	(942)	(616)
Dividend paid	-	(7,650)
Net reduction in shareholder's funds	(2,754)	(2,976)
Opening shareholder's funds	49,699	52,675
Closing shareholder's funds	46,945	49,699

No dividends were paid during the year (2011 : a dividend of £7,650,000 or £2.12 per ordinary share was paid).

**Notes (continued)**

**20. Pensions**

The Forbo Superannuation Fund was closed to new entrants with effect from 1 April 2004 but remains open to certain members who continue to accrue future service benefits. Contributions to the scheme, in respect of these members, are determined by qualified actuaries using the projected unit method. The scheme is accounted for in accordance with FRS 17.

Under the terms of the pension scheme rules, the group has a contingent liability in respect of Guaranteed Minimum Pensions ('GMP'), as defined by the Social Security Act 1975. If the scheme's investments fail to provide a sufficient return to meet the Guaranteed Minimum Pension level, the company is liable to provide sufficient funds to make up any shortfall. As the GMP is dependent on future events it is not possible to quantify any contingent liability.

An actuarial valuation of the pension scheme, using the projected unit basis, was carried out as at 31 December 2012 by Mercer, consulting actuaries. The major assumptions used by the actuaries were:

	2012 %	2011 %
Rate of increase in salaries	3.85	3.85
Rate of increase in pensions in payment	3.10	3.10
Discount rate	4.30	4.80
Rate of inflation	3.10	3.10
	<hr/>	<hr/>

The mortality assumptions used were as follows:-

	2012 Years	2011 Years
Longevity at age 65 for current pensioners:		
Men	21.60	20.40
Women	24.00	23.10
Longevity at age 65 for future pensioners:		
Men	23.30	22.20
Women	26.00	25.00
	<hr/>	<hr/>

**Notes (continued)**

**20. Pensions (continued)**

The assets of the scheme and the expected rates of return were:-

	Long term rate of return expected at 31 December 2012 %	Value at 31 December 2012 £000	Long term rate of return expected at 31 December 2011 %	Value at 31 December 2011 £000
Equities	-	-	4.80	5,104
Bonds	4.30	115,929	4.80	132,301
Other assets	4.30	30,077	-	552
Total market value of assets		146,006		137,957
Present value of scheme liabilities		(145,280)		(131,129)
Surplus in the scheme		726		6,828
Effect of surplus cap		(466)		(5,328)
		260		1,500
Related deferred tax liability		(60)		(375)
Net pension asset		200		1,125

**Reconciliation of present value of scheme liabilities**

	2012 £000	2011 £000
At 1 January	131,129	123,346
Current service cost	19	13
Interest cost	6,173	6,612
Members' contributions	6	6
Benefits paid	(5,797)	(5,186)
Actuarial loss	13,750	6,338
At 31 December	145,280	131,129

**Reconciliation of present value of scheme assets**

	2012 £000	2011 £000
At 1 January	137,957	126,343
Expected return on scheme assets	6,483	6,161
Employer contributions	17	17
Members' contributions	6	6
Benefits paid	(5,797)	(5,186)
Actuarial gain	7,340	10,616
At 31 December	146,006	137,957



## Notes (continued)

### 20. Pensions (continued)

The pension scheme assets do not include any of the company's own financial instruments, or any property occupied by the company.

The expected return on the pension scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets.

The effect of the surplus cap on the year was to increase the value of the scheme's assets by £4,862,000. The surplus cap limits the value of the scheme in the company's financial statements to an amount considered to be recoverable by reducing future anticipated contributions to the scheme by the company.

The actual return on the pension scheme assets in the year was a gain of £13,823,000.

#### Analysis of amounts credited / (charged) to the profit and loss account

	2012 £000	2011 £000
Expected return on pension scheme assets	6,483	6,161
Interest on pension scheme liabilities	(6,173)	(6,612)
	<hr/>	<hr/>
Net income / (charge)	310	(451)
	<hr/>	<hr/>

The above amounts are included within other finance income in the profit and loss account.

	2012 £000	2011 £000
Current service cost	19	13
Effect of surplus cap	291	-
	<hr/>	<hr/>
	310	13
	<hr/>	<hr/>

The above amount is included within administrative expenses in the profit and loss account.

#### Actuarial gains and losses

The cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses is £19,341,000.

#### Amounts for current and previous years

	2012 £000	2011 £000
Defined benefit obligation	(145,280)	(131,129)
Pension scheme assets	146,006	137,957
	<hr/>	<hr/>
Surplus	726	6,828
	<hr/>	<hr/>
Experience gains on scheme assets	7,340	10,616
Total amount recognised in the statement of total recognised gains and losses	1,257	(1,050)
	<hr/>	<hr/>

## Notes (continued)

### 20. Pensions (continued)

The contributions expected to be made to the defined benefit pension scheme by the company in the year to 31 December 2013 are projected to be £17,000.

The company operates defined contribution pension schemes. The assets of the defined contribution schemes are held separately from those of the company in an independently administered fund. Pension contributions are charged to the profit and loss account as they become due and payable in accordance with the rules of the scheme. The pension cost for the year to 31 December 2012 was £547,000 (2011 : £532,000). As at 31 December 2012 there were pension contributions of £79,000 outstanding in respect of these schemes.

### 21. Commitments and contingent liabilities

- (a) Capital commitments at the end of the financial year for which no provision has been made are as follows:

	2012 £000	2011 £000
Contracted	782	354

- (b) Commitments under operating leases

<b>Land and buildings</b>	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
<i>Annual commitment under operating leases which expire:</i>		
From one to five years	30	-
After five years	336	358
	<u>366</u>	<u>358</u>
<b>Other</b>		
<i>Annual commitment under operating leases which expire:</i>		
Within one year	56	39
From one to five years	189	190
	<u>245</u>	<u>229</u>

- (c) Contingent liabilities

As at the balance sheet date the company had given a guarantee to HM Revenue & Customs for the sum of £80,000 (2011 : £80,000) in respect of indirect taxes and duties.

**Notes** *(continued)*

**22. Related party transactions**

The company has taken advantage of the exemptions available under FRS 8, 'Related Party Disclosures', and has not disclosed transactions with companies that are part of the Forbo Holding AG group of companies.

**23. Ultimate holding company**

The directors regard Forbo Holding AG, a company registered in Switzerland, as the ultimate parent company and the ultimate controlling party.

Forbo Participations SAS is the immediate parent company.

Forbo Holding AG is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2012.

Copies of the consolidated financial statements of Forbo Holding AG may be obtained from Lindenstrasse 8, Postfach 1041, CH-6341, Baar, Switzerland.