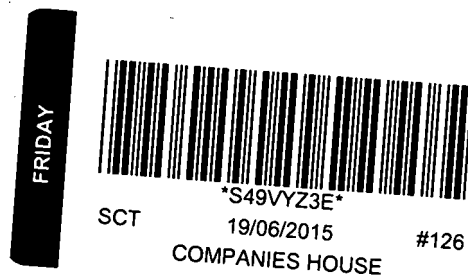


**Forbo Floors UK Limited**  
**(formerly Forbo Flooring UK Limited)**

Directors' report and financial  
statements

Registered number SC041400

31 December 2014



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## **Company information**

### **Directors**

T Colas  
A Fotheringhame  
M Huenerwadel  
D Greenway  
A Spreiter

### **Company secretary**

EJ Speed

### **Registered office**

Den Road  
Kirkcaldy  
Fife  
KY1 2ER

### **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and  
Statutory Auditors  
141 Bothwell Street  
Glasgow  
G2 7EQ

## **Strategic report**

The directors present their strategic report for the year ended 31 December 2014.

### **Review of the business**

The results for the year are encouraging with the company continuing to trade profitably. Sales grew by 7% from £119,380,000 in 2013 to £127,299,000 in 2014 with growth in both domestic and overseas markets. The operating profit of £30,661,000 is stated after a gain on sale of the company's business of £24,482,000 and before a goodwill amortisation cost of £2,421,000.

As at the balance sheet date the company had shareholder's funds of £77,000,000.

Results were bolstered by sales increases relating to Ministry of Defence contracts and growth in domestic private sector market segments. In spite of sales to stagnating Western European markets remaining flat, higher sales to Asia supported export sales growth. The company continues to perform well in spite of the fragile UK economy and the uncertain economic outlook globally. Its strategy to become less reliant on public sector markets has helped to withstand volatile market conditions. Additionally, selective investment in its manufacturing capabilities, allied to robust financial management, ensures the company remains competitive.

Following a review of the group's administrative structure, a decision was made to sell the trade and assets of the company to Forbo Flooring UK Limited (formerly Forbo Floors UK Limited) at market value on 31 December 2014. It should be noted that the production and support of the company's products will continue as before within the Forbo group albeit under a different trading entity.

### **Principal risks and uncertainties**

Following the sale of the company's trade and assets to another group company on 31 December 2014, Forbo Floors UK Limited (formerly Forbo Flooring UK Limited) has ceased to trade.

The balance owed to the company as at the balance sheet date is considered to be fully recoverable and the directors do not consider there to be any significant risks and uncertainties which will adversely affect its future.

### **Key performance indicators (KPIs)**

The company is a member of the Forbo Holding AG group of companies. The Forbo group is managed on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of Forbo Floors UK Limited (formerly Forbo Flooring UK Limited). The development, performance and position of the Flooring division of the Forbo group, which includes the company, is disclosed in the group's annual report.

By order of the board



**EJ Speed**  
*Company secretary*

11 June 2015

## **Directors' report**

The directors present their report and the audited financial statements of the company for the year ended 31 December 2014.

### **Change of name**

The company's name was changed from Forbo Flooring UK Limited to Forbo Floors UK Limited on 5 January 2015.

### **Future developments**

As discussed in the strategic report, the company ceased to trade on 31 December 2014 following the sale of its trade and assets to a fellow Forbo group company. In future the company will hold investments in fellow Forbo group companies.

### **Results and dividends**

The results for the year ended 31 December 2014 are set out in the attached profit and loss account.

During 2013 there was an exceptional administrative expense of £1,341,000 which related to the write down in the carrying value of one of the company's properties. There were no exceptional items in 2014.

No dividends were paid during the year ended 31 December 2014 (2013 : £nil).

### **Post balance sheet event**

On 10 February 2015, Forbo Flooring UK Limited issued 77,000,000 preference shares of £1 each to the company in settlement of the outstanding intercompany balance owed by it to Forbo Floors UK Limited (formerly Forbo Flooring UK Limited) as at 31 December 2014.

### **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.

### **Employees**

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

### **Directors**

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

T Colas  
A Fotheringham  
M Huenerwadel  
D Greenway  
A Spreiter

### **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.

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

### **Credit risk**

Prior to the transfer of the company's trade and assets on 31 December 2014, its principal financial assets were bank and cash balances, trade and other receivables.

The company's credit risk was primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment was made where there was an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The risk on bank and cash balances was limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The company had no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Following the transfer of the company's trade and assets to a fellow Forbo group company its sole asset at 31 December 2014 was an intercompany balance owed by Forbo Flooring UK Limited (formerly Forbo Floors UK Limited). The intercompany balance was settled on 10 February 2015 by the receipt of 77,000,000 preference shares of £1 each issued to the company by Forbo Flooring UK Limited (formerly Forbo Floors UK Limited).

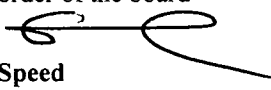
### **Disclosure of information to auditors**

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*

11 June 2015

## **Statement of directors' responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

## **Independent auditors' report to the members of Forbo Floors UK Limited (formerly Forbo Flooring UK Limited)**

### **Report on the financial statements**

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#### **Our opinion**

In our opinion, Forbo Flooring UK Limited's (formerly Forbo Flooring UK Limited) financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit for the year then ended;
  - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
  - have been prepared in accordance with the requirements of the Companies Act 2006.
- 

#### **What we have audited**

Forbo Flooring UK Limited's (formerly Forbo Flooring UK Limited) financial statements comprise:

- the balance sheet as at 31 December 2014;
- the profit and loss account and the statement of total recognised gains and losses for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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### **Opinion on other matter prescribed by the Companies Act 2006**

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

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### **Other matters on which we are required to report by exception**

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#### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

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#### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

## **Independent auditors' report to the members of Forbo Floors UK Limited (formerly Forbo Flooring UK Limited) (continued)**

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### **Responsibilities for the financial statements and the audit**

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#### **Our responsibilities and those of the directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, 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) ("ISAs (UK & 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.

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#### **What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Directors' Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

 *Martin Cowie*

Martin Cowie (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Glasgow  
11 June 2015

**Profit and loss account**  
*for the year ended 31 December 2014*

	<i>Note</i>	<b>2014</b> <b>£000</b>	<b>2013</b> <b>£000</b>
<b>Turnover</b>	2	<b>127,299</b>	<b>119,380</b>
Cost of sales		<b>(96,895)</b>	<b>(91,209)</b>
		<hr/>	<hr/>
<b>Gross profit</b>		<b>30,404</b>	<b>28,171</b>
Distribution costs		<b>(5,541)</b>	<b>(3,267)</b>
Administration expenses		<b>(18,684)</b>	<b>(18,742)</b>
Exceptional administrative expense	3	-	<b>(1,341)</b>
Gain on sale of business		<b>24,482</b>	-
		<hr/>	<hr/>
<b>Operating profit</b>	3	<b>30,661</b>	<b>4,821</b>
		<hr/>	<hr/>
Other interest receivable and similar income	6	<b>74</b>	<b>43</b>
Interest payable and similar charges	7	<b>(1,489)</b>	<b>(1,593)</b>
Other finance (expense) / income	20	<b>(97)</b>	<b>32</b>
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		<b>29,149</b>	<b>3,303</b>
Tax on profit on ordinary activities	8	<b>(1,082)</b>	<b>(1,189)</b>
		<hr/>	<hr/>
<b>Profit for the financial year</b>	19	<b>28,067</b>	<b>2,114</b>
		<hr/> <hr/>	<hr/> <hr/>

All operations discontinued following the transfer of the trade and assets of the company to another Forbo Group company on 31 December 2014. There is no difference between the result reported in the profit and loss account and the result on an unmodified historical cost basis.

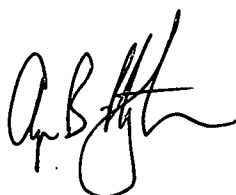
**Statement of total recognised gains and losses**  
*for the year ended 31 December 2014*

	<i>Note</i>	<b>2014</b> <b>£000</b>	<b>2013</b> <b>£000</b>
Profit for the financial year		<b>28,067</b>	<b>2,114</b>
Gain / (loss) on pension scheme	20	<b>10,704</b>	<b>(2,999)</b>
Effect of surplus cap on pension scheme	20	<b>(8,354)</b>	<b>466</b>
Movement on deferred tax relating to pension liability		<b>(3)</b>	<b>60</b>
		<hr/>	<hr/>
		<b>30,414</b>	<b>(359)</b>
		<hr/> <hr/>	<hr/> <hr/>

**Balance sheet**  
*as at 31 December 2014*

	Note	2014	2013
		£000	£000
<b>Fixed assets</b>			
Intangible assets	9	-	34,410
Tangible assets	10	-	21,317
Investments	11	-	2,794
			58,521
<b>Current assets</b>			
Stocks	12	-	15,847
Debtors	13	77,000	18,877
Cash at bank and in hand		-	14,880
		77,000	49,604
<b>Creditors: amounts falling due within one year</b>	14	-	(57,510)
<b>Net current assets / (liabilities)</b>		77,000	(7,906)
<b>Total assets less current liabilities</b>		77,000	50,615
<b>Creditors: amounts falling due after more than one year</b>	14	-	(829)
<b>Deferred income</b>	15	-	(952)
<b>Net assets excluding pension liability</b>		77,000	48,834
<b>Pension liability</b>	20	-	(2,248)
<b>Net assets including pension liability</b>		77,000	46,586
<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	40,197	9,783
<b>Total shareholder's funds</b>	19	77,000	46,586

The financial statements of Forbo Floors UK Limited (formerly Forbo Flooring UK Limited), registered number SC041400, on pages 8 to 26 were approved by the board of directors and authorised for issue on 11 June 2015.



**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 and in accordance with the Companies Act 2006, on a going concern basis and under the historical cost accounting rules.

The company is exempt by virtue of §401 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***

Following the transfer of the trade and assets to Forbo Flooring UK Limited on 31 December 2014 the company does not have any financial liabilities and will act as an intermediate investment company in future. Accordingly, the directors have a reasonable expectation that the company has adequate financial resources to continue in existence for the foreseeable future and they continue to adopt the going concern basis in preparing these financial statements.

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

Under FRS 1 (revised 1996), 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' trades and assets.

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

The cost of tangible fixed assets are depreciated to their estimated residual values over the following estimated useful lives:

Freehold buildings	- 20 to 40 years
Leasehold property	- over the term of the lease
Plant and equipment	- 5 to 10 years
Computer equipment	- 3 to 5 years
Motor vehicles	- 5 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 independently administered funds. Pension contributions are charged to the profit and loss account as they become due and payable in accordance with the rules of the schemes.

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. Turnover

The analysis of turnover by geographical area is as follows:

	2014 £000	2013 £000
<i>Geographical area</i>		
UK	77,775	71,644
Overseas	49,524	47,736
	<hr/> 127,299 <hr/>	<hr/> 119,380 <hr/>

## Notes (continued)

### 3. Operating profit

	2014	2013
	£000	£000
<i>Operating profit is stated after charging:</i>		
Depreciation - owned assets	2,609	2,478
- leased assets	243	264
Amortisation of goodwill	2,421	2,421
Operating lease charges – land and buildings	372	367
Operating lease charges - plant and machinery	231	225
Research and development expenditure	1,018	1,165
Gain on sale of tangible fixed assets	(22)	(6)
<i>Auditors' remuneration:</i>		
- audit of these financial statements	32	32

The 2013 exceptional administrative expense of £1,341,000 related to the write down in the carrying value of one of the company's properties.

## Notes (continued)

### 4. Staff numbers and costs

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

	2014 Number	2013 Number
Production	351	347
Sales	104	101
Administration	115	113
	<hr/> 570	<hr/> 561

The aggregate payroll cost of these persons was as follows:

	2014 £000	2013 £000
Wages and salaries	17,192	16,942
Social security costs	1,490	1,483
Other pension costs	1,266	817
	<hr/> 19,948	<hr/> 19,242

### 5. Directors' remuneration

	2014 £000	2013 £000
Directors' emoluments	231	211
Pension contributions	10	7
	<hr/> 241	<hr/> 218

The emoluments of the highest paid director were £130,450 (2013: £127,000). In addition company pension contributions of £7,200 (2013: £4,000) were made to a money purchase scheme on behalf of the highest paid director.

Retirement benefits are accruing to two (2013: two) directors under money purchase pension schemes.

### 6. Other interest receivable and similar income

	2014 £000	2013 £000
Bank interest receivable	36	13
Interest receivable from group undertakings	38	30
	<hr/> 74	<hr/> 43

**Notes (continued)**

**7. Interest payable and similar charges**

	2014 £000	2013 £000
Bank interest payable	4	11
Interest payable to group undertakings	1,437	1,529
Finance charges payable in respect of finance leases	48	53
	<u>1,489</u>	<u>1,593</u>

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

	2014 £000	2013 £000
<i>Tax on profit on ordinary activities is as follows:</i>		
United Kingdom corporation tax at 21.5% (2013: 23.25%)		
Current period	555	447
Adjustments in respect of prior periods	3	46
	<u>558</u>	<u>493</u>
Total current tax charge		
	558	493
<i>Deferred taxation</i>		
Origination and reversal of timing differences	410	429
Rate adjustment	114	267
	<u>1,082</u>	<u>1,189</u>

**Factors affecting the tax charge**

The current tax charge is lower (2013: lower) than the standard rate of corporation tax in the UK of 21.5% (2013: 23.25%). The differences are explained below:

	2014 £000	2013 £000
<i>Current tax reconciliation:</i>		
Profit on ordinary activities before taxation	29,149	3,303
	<u>6,264</u>	<u>768</u>
Current tax at 21.5% (2013: 23.25%)		
	6,264	768
<i>Effects of:</i>		
Non-deductible expenses	818	794
Difference between capital allowances and depreciation	(442)	(470)
Other short term timing differences	1	3
Utilisation of prior year losses	(825)	(648)
Adjustment in respect of prior periods	3	46
Gain on sale of business	(5,261)	-
	<u>558</u>	<u>493</u>
Total current tax charge		
	558	493

## Notes (continued)

### 9. Intangible assets

	<b>Goodwill £000</b>
<i>Cost</i>	
At 1 January 2014	48,454
Transfer to group undertaking	(48,454)
	<hr/>
At 31 December 2014	-
	<hr/>
<i>Accumulated amortisation</i>	
At 1 January 2014	14,044
Charge for the year	2,421
Transfer to group undertaking	(16,465)
	<hr/>
At 31 December 2014	-
	<hr/>
<i>Net book value</i>	
At 31 December 2014	-
	<hr/>
At 31 December 2013	34,410
	<hr/>

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>Assets under construction £000</b>	<b>Total £000</b>
<i>Cost</i>							
At 1 January 2014	16,521	92	57,221	6,661	1,343	449	82,287
Additions	145	-	1,460	217	266	1,909	3,997
Disposals	-	-	(137)	-	(194)	-	(331)
Reclassification	130	-	790	69	-	(989)	-
Transfer to group undertaking	(16,796)	(92)	(59,334)	(6,947)	(1,415)	(1,369)	(85,953)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2014	-	-	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Accumulated depreciation</i>							
At 1 January 2014	8,478	47	45,873	6,074	498	-	60,970
Charge for year	345	-	2,017	241	249	-	2,852
Disposals	-	-	(137)	-	(167)	-	(304)
Transfer to group undertaking	(8,823)	(47)	(47,753)	(6,315)	(580)	-	(63,518)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2014	-	-	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>							
At 31 December 2014	-	-	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2013	8,043	45	11,348	587	845	449	21,317
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 10. Tangible fixed assets (continued)

The gross book value of freehold land and buildings includes land of £nil (2013: £557,000) which is not depreciated.

Included in the total net book value of plant and machinery is £nil (2013: £846,000) 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.

### 11. Investments

	£000
<i>Cost</i>	
At 1 January 2014	2,794
Transfer to group undertaking	(2,794)
	<hr/>
As at 31 December 2014	<hr/>

Fixed asset investments as at 31 December 2013 were as are as follows:

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

\* Held via Forbo UK Limited

### 12. Stocks

	2014 £000	2013 £000
Raw materials and consumables	-	2,930
Work in progress	-	2,469
Finished goods and goods for resale	-	10,448
	<hr/>	<hr/>
	-	15,847
	<hr/>	<hr/>

## Notes (continued)

### 13. Debtors

	<b>2014</b>	2013
	<b>£000</b>	£000
Trade debtors	-	7,723
Amounts owed by group undertakings (note 23)	<b>77,000</b>	7,021
Corporation tax	-	186
Deferred tax asset (note 16)	-	2,382
Other debtors	-	1,565
	<u><b>77,000</b></u>	<u><b>18,877</b></u>

### 14. Creditors

	<b>2014</b>		2013	
	Amounts falling due within one year £000	Amounts falling due after one year £000	Amounts falling due within one year £000	Amounts falling due after one year £000
Obligations under finance leases	-	-	61	784
Trade creditors	-	-	10,859	-
Amounts owed to group undertakings	-	-	39,372	-
Other taxation and social security	-	-	930	-
Other creditors	-	-	6,288	45
	<u>-</u>	<u>-</u>	<u>57,510</u>	<u>829</u>

Included within the amounts due to group undertakings as at 31 December 2013 were unsecured loans totalling £33,297,000 which had a commercial rate of interest applied to them.

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

	<b>2014</b>	2013
	<b>£000</b>	£000
Within one year	-	61
In more than one year, but not more than five years	-	784
	<u>-</u>	<u>845</u>

**Notes (continued)**

**15. Accruals and deferred income**

<b>Government grant</b>	<b>£000</b>
At 1 January 2014	952
Profit and loss account credit	(75)
Transfer to group undertaking	(877)
	<hr/>
At 31 December 2014	-
	<hr/>

**16. Deferred taxation**

The deferred tax asset is as follows:-	<b>£000</b>
At 1 January 2014	2,382
Profit and loss account charge for the year	(524)
Transfer to group undertaking	(1,858)
	<hr/>
At 31 December 2014	-
	<hr/>

The 2013 deferred tax asset is based on a corporation tax rate of 21%.

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
<i>Total effect of timing differences</i>		
Capital allowances in excess of depreciation	-	1,301
Other short term timing differences	-	31
Tax losses	-	1,050
	<hr/>	<hr/>
	-	2,382
Deferred tax liability on pension asset (note 20)	-	-
	<hr/>	<hr/>
Asset at end of year net of deferred tax on pension asset	-	2,382
	<hr/>	<hr/>

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
<i>Deferred tax liability relating to pension asset (note 20)</i>		
At 1 January	-	(60)
Credited to statement of total recognised gains and losses	-	60
	<hr/>	<hr/>
At 31 December	-	-
	<hr/>	<hr/>

The deferred tax liability of £60,000 as at 31 December 2013 was deducted in arriving at the net pension surplus on the balance sheet (note 20).

**Notes (continued)**

**17. Called up share capital**

	<b>2014</b>	2013
	<b>£000</b>	£000
<i>Authorised, allotted, called up and fully paid:</i>		
Ordinary shares of £1 each	<b>3,610</b>	3,610
	<u>          </u>	<u>          </u>

**18. Reserves**

	<b>Share premium account</b>	<b>Capital redemption reserve</b>	<b>Profit and loss account</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 January 2014	32,973	220	9,783
Profit for the year	-	-	28,067
Actuarial loss on pension scheme net of deferred tax	-	-	2,347
	<u>          </u>	<u>          </u>	<u>          </u>
<b>At 31 December 2014</b>	<b>32,973</b>	<b>220</b>	<b>40,197</b>
	<u>          </u>	<u>          </u>	
Pension liability			-
			<u>          </u>
Profit and loss account excluding pension liability			<b>40,197</b>
			<u>          </u>

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

	<b>2014</b>	2013
	<b>£000</b>	£000
Profit for the financial year	<b>28,067</b>	2,114
Actuarial gain / (loss) on pension scheme net of deferred tax	<b>2,347</b>	(2,473)
	<u>          </u>	<u>          </u>
Net addition / (reduction) to shareholder's funds	<b>30,414</b>	(359)
Opening shareholder's funds	<b>46,586</b>	46,945
	<u>          </u>	<u>          </u>
Closing shareholder's funds	<b>77,000</b>	46,586
	<u>          </u>	<u>          </u>

No dividends were paid during the year (2013 : £ nil).

## 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.

Following the sale of the trade and assets of the company to Forbo Flooring UK Limited on 31 December 2014, Forbo Flooring UK Limited became the sponsoring employer of the Forbo Superannuation Fund. As a result all assets and future obligations in respect of the defined benefit pension scheme were transferred to Forbo Flooring UK Limited on that date.

An actuarial valuation of the pension scheme, using the projected unit basis, was carried out as at 31 December 2014 by First Actuarial, consulting actuaries. The major assumptions used by the actuaries were:

	2014 %	2013 %
Rate of increase in salaries	4.05	4.25
Rate of increase in pensions in payment	3.30	3.50
Discount rate	3.70	4.30
Rate of inflation	3.30	3.50

The mortality assumptions used were as follows:-

	2014 Years	2013 Years
Longevity at age 65 for current pensioners:		
Men	21.60	21.60
Women	24.10	24.00
Longevity at age 65 for future pensioners:		
Men	23.40	23.30
Women	26.10	26.00

## 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 2014 %	Value at 31 December 2014 £000	Long term rate of Return expected at 31 December 2013 %	Value at 31 December 2013 £000
Equities	-	-	-	-
Bonds	-	-	4.30	97,859
Cash	-	-	4.30	43,809
Total market value of assets		-		141,668
Present value of scheme liabilities		-		(143,916)
Deficit in the scheme		-		(2,248)
Related deferred tax asset liability		-		-
Net pension liability		-		(2,248)

The deferred tax asset arising in respect of the pension scheme liability as at 31 December 2013 was not recognised as, in the opinion of the directors, its future recoverability was uncertain.

#### Reconciliation of present value of scheme liabilities

	2014 £000	2013 £000
At 1 January	143,916	145,280
Current service cost	6	24
Interest cost	6,056	6,119
Members' contributions	6	6
Benefits paid	(6,241)	(5,874)
Adjustment for expenses	(2,500)	-
Actuarial loss / (gain)	10,462	(1,639)
Transfer to group undertaking	(151,705)	-
At 31 December	-	143,916

#### Reconciliation of present value of scheme assets

	2014 £000	2013 £000
At 1 January	141,668	146,006
Expected return on scheme assets	5,959	6,151
Employer contributions	16	17
Members' contributions	6	6
Benefits paid	(6,241)	(5,874)
Actuarial gain / (loss)	18,666	(4,638)
Transfer to group undertaking	(160,074)	-
At 31 December	-	141,668

## 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 was to increase the value of the scheme's liabilities by £8,354,000 (2013 : decrease the value of the scheme's liabilities by £466,000). 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 £24,625,000.

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

	2014 £000	2013 £000
Expected return on pension scheme assets	5,959	6,151
Interest on pension scheme liabilities	(6,056)	(6,119)
	<hr/>	<hr/>
Net (expense) / income	(97)	32
	<hr/>	<hr/>

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

	2014 £000	2013 £000
Current service cost	6	24
	<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 £17,024,000.

#### Amounts for current and previous years

	2014 £000	2013 £000
Defined benefit obligation	-	(143,916)
Pension scheme assets	-	141,668
	<hr/>	<hr/>
(Deficit) / surplus	-	(2,248)
Experience gains / (losses) on scheme assets	18,666	(4,638)
Total amount recognised in the statement of total recognised gains and losses	(2,350)	2,533
	<hr/>	<hr/>

## Notes (continued)

### 20. Pensions (continued)

The contributions expected to be made to the defined benefit pension scheme by Forbo Flooring UK Limited in the year to 31 December 2015 are projected to be £16,000.

The company operates defined contribution pension schemes. The assets of the defined contribution schemes are held separately from those of the company in independently administered funds. 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 2014 was £1,260,000 (2013 : £793,000). As at 31 December 2014 there were pension contributions of £106,000 outstanding in respect of these schemes. The liability was transferred to Forbo Flooring UK Limited on 31 December 2014 as part of the transfer of trade and assets of the company.

### 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:

	2014 £000	2013 £000
Contracted	-	230
	<u>          </u>	<u>          </u>

(b) Commitments under operating leases

<b>Land and buildings</b>	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
<i>Annual commitment under operating leases which expire:</i>		
Within one year	-	30
Within two to five years	-	200
After five years	-	200
	<u>          </u>	<u>          </u>
	-	430
	<u>          </u>	<u>          </u>
<b>Other</b>		
<i>Annual commitment under operating leases which expire:</i>		
Within one year	-	21
Within two to five years	-	191
	<u>          </u>	<u>          </u>
	-	212
	<u>          </u>	<u>          </u>

(c) Contingent liabilities

As at 31 December 2013 the company had given a guarantee to HM Revenue & Customs for the sum of £80,000 in respect of indirect taxes and duties. The guarantee was transferred with the trade and assets of the company on 31 December 2014.

**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. Post balance sheet event**

On 10 February 2015, Forbo Flooring UK Limited issued 77,000,000 preference shares of £1 each to the company in settlement of the outstanding intercompany balance owed by it to Forbo Floors UK Limited as at 31 December 2014.

**24. 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 2014.

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