

Coopers
& Lybrand

Forbo-CP Limited
Annual report
for the year ended 31 December 1995

Registered no: 207104



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Forbo-CP Limited

Annual report for the year ended 31 December 1995

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Directors' report for the year ended 31 December 1995

The directors present their report and the audited financial statements for the year ended 31 December 1995.

Principal activity

The main activity of the company during the year was the manufacture of flexible decorative surface materials which are marketed under the Fablon, Readyroll and Cova brands.

Results for the year

The loss for the financial year amounted to £845,000 (1994: £686,000).

Review of business and future developments

The directors consider that the development of the company's business during the year and its financial position at the end of the year were satisfactory and that a sound basis for the medium-term development of the business has been secured.

Dividends and transfers to reserves

The directors do not recommend the payment of a dividend for the year ended 31 December 1995 (1994: £Nil) and recommend that the loss for the financial year of £845,000 (1994: £686,000) is added to accumulated losses.

Research and development

The company's research and development laboratories continue to investigate new production methods and materials both to improve the quality and performance of the existing products and to provide opportunities for the introduction of new products.

Changes in fixed assets

The movement in tangible fixed assets during the year is set out in note 9 to the financial statements.

Directors

The directors of the company at 31 December 1995, all of whom have been directors for the whole of the year ended on that date were as follows:

S Hastings	(Company Secretary)
M G Kellaway	(Managing Director)
R K Ruepp	
J E Sangberg	(Chairman)
H R Strässler	

Directors' interests

According to the Register of Directors' Interests, no director in office at 31 December 1995 had any notifiable interest in the share and loan capital of Forbo Holding AG, the ultimate parent company and its subsidiaries at the beginning of the year or at the end of the year (1994: £Nil).

Employment of disabled persons

The following policy has been applied in respect of the employment of disabled persons:

The company recognises its responsibility to employ disabled persons in suitable employment, and gives full and fair consideration to applications for employment made by such persons, having regard to their particular aptitudes and abilities.

Any employee who becomes disabled is encouraged to remain in the company's employment, in the same job if this is practicable. If a change of job is necessary, such an employee is considered for any suitable alternative work which is available, and any necessary training is arranged.

Disabled employees are treated equally with all other employees in respect of their eligibility for training, career development and promotion.

Employee involvement

It is the policy of the company to encourage employee involvement in its business through an open management style, monthly employee briefings on company financial performance and structured training programmes.

Taxation status

The company was not a close company within the provisions of the Income and Corporation Taxes Act 1988 as at 31 December 1995. There has been no change in this respect since the end of the financial year.

Statement of directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1995. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board

S. Hestings

Company Secretary

Station Road
Cramlington
Northumberland
NE23 8AQ

27 March 1996

**Report of the auditors to the members of
Forbo-CP Limited**

We have audited the financial statements on pages 5 to 16.

Respective responsibilities of directors and auditors

As described on page 3, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

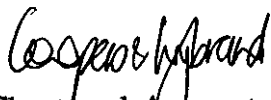
Basis of opinion

We conducted our audit in accordance with Auditing Standards 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 judgements 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 of the state of affairs of the company at 31 December 1995 and of its loss and total recognised losses for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and Registered Auditors
Newcastle upon Tyne
27 March 1996

Profit and loss account for the year ended 31 December 1995

	Notes	1995 £'000	1994 £'000
Turnover	2	26,726	23,712
Cost of sales		(20,717)	(19,499)
Gross profit		6,009	4,213
Other operating expenses	3	(6,858)	(6,428)
Operating loss		(849)	(2,215)
Interest payable and similar charges	6	(421)	(96)
Exceptional waiver of interest payable	6	-	784
Interest receivable		18	4
Loss on ordinary activities before taxation	7	(1,252)	(1,523)
Taxation	8	407	837
Loss for the financial year	18	(845)	(686)

All activities of the company are continuing.

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

There is no difference between the loss on ordinary activities before taxation and the loss for the financial year stated above and their historical cost equivalents.

Balance sheet at 31 December 1995

	Notes	1995 £'000	1994 £'000
Fixed assets			
Tangible assets	9	<u>7,319</u>	<u>7,925</u>
Current assets			
Stocks	10	3,074	3,675
Debtors	11	4,800	7,135
Cash at bank and in hand		1,913	456
		<u>9,787</u>	<u>11,266</u>
Creditors: amounts falling due within one year	12	<u>4,359</u>	<u>8,414</u>
Net current assets		<u>5,428</u>	<u>2,852</u>
Total assets less current liabilities		<u>12,747</u>	<u>10,777</u>
Creditors: amounts falling due after more than one year	13	7,122	4,184
Accruals and deferred income	15	652	775
		<u>7,774</u>	<u>4,959</u>
Net assets		<u>4,973</u>	<u>5,818</u>
Capital and reserves			
Called-up share capital	17	7,500	7,500
Share premium account	18	513	513
Capital reserve	18	2,000	2,000
Profit and loss account	18	(5,040)	(4,195)
Equity shareholders' funds	19	<u>4,973</u>	<u>5,818</u>

The financial statements on pages 5 to 16 were approved by the board of directors on 27 March 1996 and were signed on its behalf by:

Director



Notes to the financial statements for the year ended 31 December 1995

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

(a) Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

(b) Cash flow

The company is a wholly owned subsidiary of Forbo UK Limited and the cash flows of the company are included in the consolidated cash flow statement of Forbo UK Limited. Consequently, the company is exempt under the terms of Financial Reporting Standard No 1 from publishing a cash flow statement.

(c) Research and development

Expenditure on research and development of new products is written off to the profit and loss account in the year in which it is incurred.

(d) Tangible fixed assets

The cost of tangible fixed assets is their purchase cost together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of fixed assets less their estimated residual values on a straight line basis over the expected useful economic lives of the assets concerned. The major classes of depreciable assets with their estimated useful economic lives are summarised below. The spread of lives recognises the diversity of the assets within each class:

Plant and machinery	- 4 to 12½ years
Motor vehicles	- 4 years
Fixtures and fittings	- 5 years
Assets in the course of construction	- Not depreciated

(e) Operating leases

Rentals paid under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

(f) Government grants

Revenue grants are credited to the profit and loss account when received. Capital grants are treated as deferred income which is then credited to the profit and loss account over the related assets' estimated useful lives.

(g) Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost includes direct expenditure on raw materials and, in the case of work in progress and finished goods, direct labour, energy, sub-contracted services and the appropriate allocation of production overheads. Provision is made where necessary for obsolete, slow moving and defective stocks.

(h) Foreign currencies

Transactions denominated in foreign currency are translated at the rate of exchange ruling on the transaction date. Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial year. Exchange differences arising on retranslation are included in the profit and loss account in the year in which they occur.

(i) Turnover

Turnover, which excludes value added tax, represents the invoiced value of goods supplied in the normal course of business.

(j) Deferred taxation

Deferred taxation is accounted for in respect of all material timing differences, using the liability method, to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

(k) Pension costs

The company participates in a UK group pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from the participating companies, and are invested through investment managers in a combination of United Kingdom Government Stocks, United Kingdom Equities, Unit Trusts and Interest Bearing Accounts.

Contributions to the scheme, which are based on pension costs across the group as a whole, are charged to the profit and loss account so as to spread the cost of pensions evenly over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the attained age method.

2 Turnover

	1995	1994
	£'000	£'000
Geographical segment		
United Kingdom	14,673	14,298
Rest of Europe	6,049	3,720
Rest of the World	6,004	5,694
	<u>26,726</u>	<u>23,712</u>

3 Other operating expenses

	1995	1994
	£'000	£'000
Distribution costs	3,872	4,179
Administrative expenses	3,032	2,537
	<u>6,904</u>	<u>6,716</u>
Less: Other operating income	(46)	(288)
	<u>6,858</u>	<u>6,428</u>

4 Directors' emoluments

The remuneration paid to the directors of Forbo-CP Limited during the year was:

	1995	1994
	£'000	£'000
Emoluments and benefits in kind	109	107
Pension contributions	8	8
	<u>117</u>	<u>115</u>

Emoluments and benefits in kind (excluding pension contributions) include amounts paid to:

	1995	1994
	£'000	£'000
The highest-paid director	<u>69</u>	<u>68</u>

The Chairman's emoluments are not disclosed as his duties were discharged mainly outside of the United Kingdom.

The number of directors whose duties were discharged mainly within the United Kingdom receiving emoluments and benefits in kind (excluding pension contributions) in the following ranges was:

	1995 Number	1994 Number
£35,001 to £40,000	-	1
£40,001 to £45,000	1	-
£65,001 to £70,000	1	1
	<u> </u>	<u> </u>

5 Employee information

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

	1995 Number	1994 Number
By function:		
Production	322	312
Marketing, selling and distribution	43	38
Administration	64	63
	<u> </u>	<u> </u>
	429	413
	<u> </u>	<u> </u>
	1995	1994
	£'000	£'000
Staff costs (for the above persons):		
Wages and salaries	6,861	7,199
Social security costs	541	562
Other pension costs (note 16)	459	445
	<u> </u>	<u> </u>
	7,861	8,206
	<u> </u>	<u> </u>

6 Interest payable and similar charges

	1995 £'000	1994 £'000
On bank loans, overdrafts and other loans:		
Repayable within 5 years, not by instalments:		
Payable to Forbo AG group undertakings	323	-
Other	90	83
Repayable within 5 years, by instalments:		
Other	8	13
	<u>421</u>	<u>96</u>
Exceptional waiver of interest (see below)	-	(784)
	<u></u>	<u></u>

On 23 January 1995 the company's ultimate parent company, Forbo Holding AG, waived the interest payable for the period 1 January 1992 to 31 December 1994 on its loan to the company. The total interest waived was £1,102,000. £784,000 of this related to the two year period ended 31 December 1993 and has been disclosed as an exceptional item.

7 Loss on ordinary activities before taxation

	1995 £'000	1994 £'000
Loss on ordinary activities before taxation is stated after crediting:		
Profit on disposal of fixed assets	-	80
Amortisation of government grants	123	136
	<u></u>	<u></u>
And after charging:		
Depreciation charge for the year	1,417	1,107
Loss on disposal of fixed assets	41	-
Research and development expenditure	688	798
Auditors' remuneration for:		
Audit	21	21
Other services to the company	24	4
Hire of plant and machinery - operating leases	93	106
Hire of other assets - operating leases	320	274
	<u></u>	<u></u>

8 Taxation

	1995 £'000	1994 £'000
United Kingdom corporation tax at 33% (1994: 33%):		
Group relief receivable:		
Current year	401	525
Under accrual in respect of prior years	6	312
	<u>407</u>	<u>837</u>
	<u></u>	<u></u>

At 31 December 1995, the company had approximately £2.4 million (1994: £3.5 million) of unrealised losses to carry forward for offset against profits of the same trade in future years, subject to agreement with the Inland Revenue.

9 Tangible fixed assets

	Plant and machinery £'000	Motor vehicles £'000	Fixtures and fittings £'000	Assets in the course of construction £'000	Total £'000
Cost					
At 1 January 1995	21,697	16	692	581	22,986
Additions	1,023	-	-	24	1,047
Reclassifications	581	-	-	(581)	-
Disposals	(1,451)	(16)	-	-	(1,467)
At 31 December 1995	21,850	-	692	24	22,566
Depreciation					
At 1 January 1995	14,418	16	627	-	15,061
Charge for the year	1,376	-	41	-	1,417
Eliminated in respect of disposals	(1,215)	(16)	-	-	(1,231)
At 31 December 1995	14,579	-	668	-	15,247
Net book value					
At 31 December 1995	7,271	-	24	24	7,319
Net book value					
At 31 December 1994	7,279	-	65	581	7,925

10 Stocks

	1995 £'000	1994 £'000
Raw materials and consumables	640	769
Work in progress	539	631
Finished goods and goods for resale	1,895	2,275
	3,074	3,675

11 Debtors

	1995 £'000	1994 as restated £'000
Amounts falling due within one year		
Trade debtors	2,863	3,330
Amounts owed by Forbo Holding AG group undertakings	1,638	3,510
Other debtors	29	40
Prepayments	270	237
	<u>4,800</u>	<u>7,117</u>
Amounts falling due after more than one year		
Other debtors	-	18
	<u>4,800</u>	<u>7,135</u>

The 1994 balance has been restated to disclose prepayments separately from other debtors. Amounts owed by group undertakings includes group relief receivable of £932,000 (1994: £525,000).

12 Creditors: amounts falling due within one year

	1995 £'000	1994 £'000
Bank overdraft	-	1,203
Other loan	62	62
Trade creditors	2,249	3,555
Amounts owed to Forbo Holding AG group undertakings	1,189	2,636
Other taxation and social security payable	257	210
Other creditors	457	238
Accruals	145	510
	<u>4,359</u>	<u>8,414</u>

13 Creditors: amounts falling due after more than one year

	1995 £'000	1994 £'000
Amounts owed to immediate/ultimate parent company	7,122	4,122
Other loan	-	62
	<u>7,122</u>	<u>4,184</u>

On 14 December 1995 the loan from the ultimate parent company was assigned to the company's immediate parent company. The loan falls due after more than one year and is unsecured. Interest is charged at 1% above bank base rate on the amount outstanding. The amount outstanding is due for repayment on 31 December 1998, although it can be repaid by mutual agreement between the two companies prior to that date.

14 Deferred taxation

The company has no actual or potential liability to deferred tax (1994: £Nil).

15 Accruals and deferred income

Government grants	£'000
At 1 January 1995	775
Amortisation for the year	(123)
	<hr/>
At 31 December 1995	652
	<hr/>

16 Pension and similar obligations

The company participates in a group pension scheme operated by Forbo UK Limited. The pension scheme is of the defined benefit type and its assets are held in a separate trustee administered fund. The fund is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. The latest actuarial assessment of the scheme was at 1 April 1995. Particulars of the valuation are contained in the accounts of Forbo UK Limited.

The total pension cost for the company was £459,000 (1994: £445,000).

Pension contributions payable by the company at the year end amounted to £Nil (1994: £18,200).

17 Called-up share capital

	1995	1994
	£'000	£'000
Authorised		
10,000,000 ordinary shares of £1 each	10,000	10,000
	<hr/>	<hr/>
Allotted, called-up and fully paid		
7,500,000 ordinary shares of £1 each	7,500	7,500
	<hr/>	<hr/>

All of the shares are equity shares, carry equal dividend and voting rights and would rank equally on winding up.

18 Reserves

	Share premium account £'000	Capital reserve £'000	Profit and loss account £'000
At 1 January 1995	513	2,000	(4,195)
Loss for the financial year	-	-	(845)
At 31 December 1995	<u>513</u>	<u>2,000</u>	<u>(5,040)</u>

The capital reserve represents a capital contribution received from the company's immediate parent company, Forbo UK Limited.

19 Reconciliation of movements in equity shareholders' funds

	1995 £'000	1994 £'000
Loss for the financial year	(845)	(686)
Capital contribution	-	2,000
Opening equity shareholders' funds	<u>5,818</u>	<u>4,504</u>
Closing equity shareholders' funds	<u>4,973</u>	<u>5,818</u>

20 Capital commitments

	1995 £'000	1994 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	236	405
Capital expenditure that has been authorised by the directors but has not yet been contracted for	<u>24</u>	<u>20</u>
	<u>260</u>	<u>425</u>

21 Financial commitments

At 31 December 1995 the company had annual commitments under non-cancellable operating leases as follows:

	1995		1994	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiring within one year	360	129	180	181
Expiring within two and five years inclusive	-	162	-	192
	<u>360</u>	<u>291</u>	<u>180</u>	<u>373</u>

22 Contingent liabilities

A legal claim has been made against the company by one of its customers. Having regard to legal advice received, and after considering all of the circumstances, the directors are of the opinion that this claim will not give rise to a liability which will have a material effect on these financial statements.

23 Ultimate and immediate parent companies

The company's immediate parent company is Forbo UK Limited, a company registered in England and Wales.

The directors of Forbo UK Limited consider the ultimate parent company to be Forbo Holding AG, a company registered in Switzerland.

Copies of Forbo UK Limited's financial statements may be obtained from:

Forbo UK Limited
Bassington Avenue
Cramlington
Northumberland
NE23 8AD

Copies of Forbo Holding AG's financial statements may be obtained from:

Forbo Holding AG
CH-8193 Eglisau
Zurich
Switzerland