

Nippon Paint (Europe) Limited

**Directors' report and consolidated
financial statements**

Registered number 2398802

31 December 2007

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Directors' report

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2007

Principal activities and business review

The principal activities of the holding company, Nippon Paint (Europe) Limited continued to be the performance of technical and business related activities for the ultimate parent company, Nippon Paint Co Limited (NPC), a company incorporated in Japan, together with the procurement and export of paint related raw materials and test equipment from Europe to NPC and the procurement and import of products from NPC for subsequent resale in Europe

NP Automotive Coatings (Europe) Limited

The principal activity of the subsidiary undertaking, NP Automotive Coatings (Europe) Limited (NPAC), continued to be the manufacture and sale of specialised paints for plastics and metals used in the motor industry

In common with many suppliers to the UK motor industry NPAC is constantly under pressure to reduce its prices. In order to maintain its market share it is absorbing such pressures by making efficiencies in the manufacturing process, localising raw materials and controlling its overhead expenditure. The company's underlying policy continues to be to give customer satisfaction, deliver quality products, good service and to continually strive to improve the company's performance.

Regarding risks and uncertainties the company has implemented a coordinated set of risk management and control systems, including strategic planning and management reporting, to help anticipate, measure, monitor and manage its exposure to risk.

The key risks and uncertainties facing the company concern rising oil prices, exchange rate volatility and ongoing competitiveness of the UK motor industry.

The Senior Management Team, led by the Managing Director, regularly reviews the performance of the company using a cross section of Key Performance Indicators. Included in these are Health, Safety and Environmental issues which remain a priority of the business.

Akzo Nobel Nippon Paint Limited

The joint venture, Akzo Nobel Nippon Paint Limited (ANNP), is a joint venture with International Coatings Limited to develop coil coatings business in Europe.

As a result of the difficult economic climate being experienced an announcement was made by ANNP on 12 February 2008 in relation to the operation in the UK. This announcement advised that following a strategic review of its European operations a decision was made that it is no longer cost effective to continue with production operations in the UK. This would be effective during 2008 with a plan to exit from the current Darwen site by the end of 2008. The Directors will undertake all necessary consultations with employees to minimise the personal impact of this decision.

An impairment review of the carrying value of goodwill of ANNP was undertaken at the year end. Following this review an impairment has been made to the carrying value of the goodwill which has adversely impacted the share of joint venture results by £1million.

During the financial year the group increased turnover by 11% to £42,735,000 and increased gross profit by 62% to £2,471,000. However after the share of the loss of the joint venture the operating loss for the year increased to £1,219,000. The balance sheet shows an overall increase in net assets of £1,073,000 to £15,196,000. An additional £2,000,000 capital contribution was received in July 2007.

Proposed dividend

The directors do not recommend the payment of a dividend (2006 £Nil)

Directors and directors' interests

The directors who held office during the year were as follows

T Fujita
S Yamamoto (resigned 30 June 2007)
K Kimoto (resigned 30 June 2007)
H Ueno (appointed 1 July 2007)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company or other group companies

According to the register of directors' interests, no rights to subscribe for shares in, or debentures of, the company or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation

The group places considerable value on the involvement of its employees and keeps them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Disclosure of information to auditors

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

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



T Fujita
Managing Director

Britannia Trade Park
Radway Road
Swindon
SN3 4ND
Wiltshire

6 May 2008

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

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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



KPMG LLP
Arlington Business Park
Theale
Reading
RG7 4SD

Independent auditors' report to the members of Nippon Paint (Europe) Limited

We have audited the group and parent company financial statements (the "financial statements") of Nippon Paint (Europe) Limited for the year ended 31 December 2007 which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

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

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

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

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

Basis of audit opinion

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

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

Independent auditors' report to the members of Nippon Paint (Europe) Limited
(continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2007 and of the group's loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

7/5/ 2008

Consolidated profit and loss account
for the year ended 31 December 2007

	Note	2007	2006
		£000	£000
Turnover continuing operations:			
Group and share of joint ventures		42,735	38,545
Less share of joint ventures' turnover		(30,147)	(27,621)
Group turnover	2	12,588	10,924
Cost of sales		(10,117)	(9,396)
Gross profit		2,471	1,528
Administrative expenses	3	(3,015)	(2,956)
Group operating loss		(544)	(1,428)
Share of operating profit/(loss) in joint venture		(675)	284
Total operating loss		(1,219)	(1,144)
Interest receivable and similar income	4		
Group		15	6
Joint venture		555	131
		570	137
Interest payable and similar charges	5		
Group		(716)	(454)
Joint venture		(425)	(23)
		(1,141)	(477)
Loss on ordinary activities before taxation	6	(1,790)	(1,484)
Tax on loss on ordinary activities	9		
Parent and subsidiaries		-	-
Joint venture		(80)	(565)
		(80)	(565)
Loss for the financial year	17	(1,870)	(2,049)

All amounts arise from continuing activities

Consolidated balance sheet
at 31 December 2007

	Note	2007 £000	2006 £000
Fixed assets			
Tangible assets	10	5,690	5,634
Investments	11	52	58
Investments in joint venture			
Share of gross assets	11	23,636	24,565
Share of gross liabilities		(9,208)	(9,322)
		<u>14,428</u>	<u>15,243</u>
		20,170	20,935
Current assets			
Stocks	12	2,569	2,777
Debtors	13	2,077	1,838
Cash at bank and in hand		1,737	1,106
		<u>6,383</u>	<u>5,721</u>
Creditors: amounts falling due within one year	14	<u>(4,182)</u>	<u>(3,392)</u>
Net current assets		<u>2,201</u>	<u>2,329</u>
Total assets less current liabilities		<u>22,371</u>	<u>23,264</u>
Creditors: amounts falling due after more than one year	15	<u>(7,175)</u>	<u>(9,141)</u>
Net assets		<u>15,196</u>	<u>14,123</u>
Capital and reserves			
Called up share capital	16	25,950	23,950
Profit and loss account	17	(10,754)	(9,827)
Equity shareholders' funds		<u>15,196</u>	<u>14,123</u>

These financial statements were approved by the board of directors on 6 May 2008 and were signed on its behalf by



T Fujita
Managing Director

Company balance sheet
at 31 December 2007

	<i>Note</i>	2007	2006
		£000	£000
Fixed assets			
Tangible assets	10	1	1
Investments	11	7,045	7,051
		<u>7,046</u>	<u>7,052</u>
Current assets			
Debtors	13	618	735
Cash at bank and in hand		813	822
		<u>1,431</u>	<u>1,557</u>
Creditors: amounts falling due within one year	14	<u>(1,269)</u>	<u>(1,072)</u>
Net current assets		<u>162</u>	<u>485</u>
Total assets less current liabilities		<u>7,208</u>	<u>7,537</u>
Creditors: amounts falling due after more than one year	15	<u>(900)</u>	<u>(2,250)</u>
Net assets		<u>6,308</u>	<u>5,287</u>
Capital and reserves			
Called up share capital	16	25,950	23,950
Profit and loss account	17	(19,642)	(18,663)
Equity shareholders' funds		<u>6,308</u>	<u>5,287</u>

These financial statements were approved by the board of directors on *6 May 2008* and were signed on its behalf by



T Fujita
Managing Director

Consolidated statement of total recognised gains and losses
for the year ended 31 December 2007

	2007 £000	2006 £000
Loss for the financial year	(1,870)	(2,049)
Share of exchange loss in joint venture	943	(145)
Total recognised gains and losses relating to the financial year	(927)	(2,194)

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2007

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Loss for the financial year	(1,870)	(2,049)	(979)	(3,015)
Issue of shares	2,000	4,000	2,000	4,000
Other recognised gains and losses relating to the year	943	(145)	-	-
Net addition to shareholders' funds	1,073	1,806	1,021	985
Opening shareholders' funds	14,123	12,317	5,287	4,302
Closing shareholders' funds	15,196	14,123	6,308	5,287

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 and under the historical cost accounting rules

The financial statements have been prepared on a going concern basis as the ultimate holding company, Nippon Paint Co Limited, has agreed to fully support financially the operations of the company in order to ensure its ability to continue as a going concern for the foreseeable future

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

As the company is a wholly owned subsidiary of Nippon Paint Company Limited (NPC), the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of NPC can be obtained from the address given in note 21

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertaking and joint venture made up to 31 December 2007

The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal

A joint venture is an undertaking in which the group has a long term interest and over which it exercises joint control. The group's share of the profits less losses of the joint venture is included in the consolidated profit and loss account and its interest in the net assets is included in investments in the consolidated balance sheet

In the company's financial statements, investment in subsidiary and joint ventures are stated at cost less any impairment

The company has taken advantage of the exemption in Section 230 of the Companies Act 1985 not to present its own profit and loss account. The company's loss for the financial year, determined in accordance with the Act, was £979,000 (2006 loss £3,015,000)

Notes (continued)

1 Accounting policies (continued)

Tangible fixed assets

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Freehold buildings	-	30 years
Motor vehicles	-	3 years or over the lease period (up to 3 years)
Plant and machinery	-	15 years
Furniture and equipment	-	4-5 years

No depreciation is provided on freehold land or assets in the course of construction

Residual value is calculated on prices prevailing at the date of acquisition

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 at the year end are reported using the rates of exchange prevailing at that date. Any gains or losses arising from a change in exchange rates subsequent to the date of the transaction are included as an exchange gain or loss in the profit and loss account.

Leases

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

Stocks

Stocks are stated at the lower of cost and net realisable value.

In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

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.

Notes (continued)

1 Accounting policies (continued)

Pension costs

The company and subsidiary undertaking provide pensions to their employees through defined contribution group personal pension schemes underwritten by Axa Group

The amount charged to the profit and loss account in respect of pension costs is equal to the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are included as either accruals or prepayments in the balance sheet

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services in the normal course of business

2 Analysis of turnover

Group	2007 £000	2006 £000
<i>By geographical market</i>		
United Kingdom	9,278	7,881
Europe	1,827	1,773
Rest of the world	1,483	1,270
	12,588	10,924

Notes (continued)

3 Other operating expenses

	2007 £000	2006 £000
Administrative expenses	3,246	3,200
Service charge income	(231)	(244)
	<u>3,015</u>	<u>2,956</u>

The service charge income includes £46,000 (2006 £60,000) arising from transactions with the ultimate parent company, £185,000 (2006 £184,000) with group companies and £nil (2006 £nil) from transactions with the joint venture

4 Interest receivable and similar income

	2007 £000	2006 £000
Bank interest receivable and similar income	15	6
Share of joint venture's investment income	555	131
	<u>570</u>	<u>137</u>

5 Interest payable and similar charges

	2007 £000	2006 £000
On bank loans and overdrafts	568	645
On borrowings from other group undertakings, fully repaid during the year	21	20
Interest element of finance leases and hire purchase payments	3	5
Share of joint venture's interest payable and similar charges	425	23
Exchange gains/(losses)	124	(216)
	<u>1,141</u>	<u>477</u>

Notes (continued)

6 Loss on ordinary activities before taxation

	2007 £000	2006 £000
<i>Loss on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration		
for the group audit	35	38
For the company audit	17	17
Fees paid to the auditors and its associates in respect of other qualifying sources	16	20
Depreciation and other amounts written off tangible and intangible fixed assets		
Owned	365	335
Leased	8	7
Hire of plant and machinery - rentals payable under operating leases	8	8
Hire of other assets - operating leases	89	84
	<hr/>	<hr/>

In addition, the group has been charged £10,325 (2006 £7,623) payable to the auditors of the joint venture, Akzo Nobel Nippon Paint Limited, for the performance of an audit of its financial statements

7 Staff numbers and costs

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

	Number of employees	
	2007	2006
Production	22	21
Administration	34	33
	<hr/>	<hr/>
	56	54
	<hr/>	<hr/>

Notes (continued)

7 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows

	2007 £000	2006 £000
Wages and salaries	2,055	1,913
Social security costs	167	149
Other pension costs	83	88
	<u>2,305</u>	<u>2,150</u>

8 Remuneration of directors

The directors did not receive any emoluments in respect of their services to the company during the year

There were no share options for directors nor did they receive any shares or share options under long-term incentive schemes

There were no company contributions to pension schemes for the directors

9 Taxation

Analysis of charge in the period

	2007 £000	2006 £000
<i>UK corporation tax</i>		
Current tax on loss for the period	-	-
Share of Joint Ventures' tax	80	565
	<u>80</u>	<u>565</u>
Tax on loss on ordinary activities	<u>80</u>	<u>565</u>

Notes (continued)

9 Taxation (continued)

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2006 lower) than the standard rate of corporation tax of 30% (2006 30%). The differences are explained below

	2007 £000	2006 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(1,245)	(1,876)
	<hr/>	<hr/>
Current tax at 30% (2006 30%)	(374)	(563)
<i>Effects of</i>		
Expenses not deductible for tax purposes	4	3
Depreciation in excess of capital allowances	50	40
Unutilised tax losses and trade charges carried forward to future periods	320	520
	<hr/>	<hr/>
Total current tax charge (see above)	-	-
	<hr/>	<hr/>

The company has approximately £1,811,887 (2006 £1,809,591) of taxation losses available for surrender to group companies or for carry forward and set-off against future trading profits arising from the same activities

Similarly, the subsidiary undertaking has trading losses of approximately £15,334,464 (2006 £14,373,438) of taxation losses available for carry forward for offset against future taxable profits arising from the same trade

The amounts of unrecognised net deferred taxation assets are as follows

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Timing differences relating to tangible fixed assets	(424)	1,810	1	2
Other timing differences	36	51	-	-
Tax effect of losses and unrelieved trade charges carried forward	5,011	5,048	718	737
	<hr/>	<hr/>	<hr/>	<hr/>
	4,623	6,909	719	739
	<hr/>	<hr/>	<hr/>	<hr/>

- The rate applied in the calculation of the deferred tax is 28% as a result of the Chancellor's Budget reducing the corporation tax rate from 30% to 28% from April 2008

Notes (continued)

10 Tangible fixed assets

Group	Freehold land £000	Freehold buildings £000	Assets in course of construction £000	Plant and machinery £000	Motor vehicles £000	Fixtures and equipment £000	Total £000
Cost							
At beginning of year	1,357	5,426	312	6,517	33	369	14,014
Additions	-	-	317	93	-	19	429
Disposals	-	-	-	-	(15)	-	(15)
Transfers	-	4	(317)	312	-	1	-
At end of year	1,357	5,430	312	6,922	18	389	14,428
Depreciation							
At beginning of year	-	3,217	-	4,811	33	319	8,380
Charge for year	-	123	-	232	-	18	373
On disposals	-	-	-	-	(15)	-	(15)
At end of year	-	3,340	-	5,043	18	337	8,738
Net book value							
At 31 December 2007	1,357	2,090	312	1,879	-	52	5,690
At 31 December 2006	1,357	2,209	312	1,706	-	50	5,634

Included in the fixed assets above are leased assets with net book value of £90,000 (2006 £88,000)

Company	Fixtures and equipment £000	Total £000
Cost		
At beginning of year and end of the year	38	38
Depreciation		
At beginning of year and end of the year	(37)	(37)
Net book value		
At 31 December 2007	1	1
At 31 December 2006	1	1

Notes (continued)

11 Fixed asset investments

Group	Investments other than loans £000
Valuation	
At beginning and end of year	58
Disposal in year	(5)
Impairment loss recognised	(1)
	<hr/>
At end of year	52
	<hr/>

Company	Shares in group undertakings £000	Participating interests £000	Other investments other than loans £000	Total £000
Cost				
At beginning and end of year	20,000	6,000	55	26,055
Purchase of additional shares	2,000	-	-	2,000
Disposal	-	-	(5)	(5)
	<hr/>	<hr/>	<hr/>	<hr/>
	22,000	6,000	50	28,050
Provisions				
At beginning of year	19,000	-	4	19,004
Impairment	2,000	-	1	2,001
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	21,000	-	5	21,005
Net book value				
At 31 December 2007	<hr/> 1,000 <hr/>	<hr/> 6,000 <hr/>	<hr/> 45 <hr/>	<hr/> 7,045 <hr/>
At 31 December 2006	<hr/> 1,000 <hr/>	<hr/> 6,000 <hr/>	<hr/> 51 <hr/>	<hr/> 7,051 <hr/>

Nippon Paint (Europe) Limited have performed an impairment review of its investment in NP Automotive Coatings (Europe) Limited. As a result the carrying value of its investment in N P Automotive Coatings (Europe) Limited has been impaired by £2,000,000.

Notes (continued)

11 Fixed asset investments (continued)

The companies in which the group's interest at the year end is more than 20% are as follows

	Country of incorporation	Principal activity	Class and percentage of shares held
Subsidiary undertakings			
NP Automotive Coatings (Europe) Limited	Great Britain	Paint manufacture	100% ordinary shares
Joint venture			
Akzo Nobel Nippon Paint BV	Netherlands	Coil Coating Manufacture	25% ordinary shares

Joint ventures

The following information is relevant to an understanding of the group's investment in the joint venture

	2007 £000	2006 £000
Shares of assets		
Share of fixed assets	8,779	9,313
Share of current assets	14,857	15,252
	<hr/>	<hr/>
	23,636	24,565
Share of liabilities		
Due within one year	(8,471)	(8,144)
Due after one year	(737)	(1,178)
	<hr/>	<hr/>
	(9,208)	(9,322)
	<hr/>	<hr/>
Share of net assets	14,428	15,243
	<hr/>	<hr/>

12 Stocks

	2007 £000	Group 2006 £000
Raw materials, consumables and goods in transit	1,932	1,921
Finished goods and goods for resale	637	856
	<hr/>	<hr/>
	2,569	2,777
	<hr/>	<hr/>

In the opinion of the directors, there is no significant difference between the replacement cost of stocks and their balance sheet value, except for currency valuations

Notes (continued)

13 Debtors

	Group		Company	
	2007	2006	2007	2006
	£000	£000	£000	£000
Trade debtors	1,857	1,608	511	652
Amounts owed by group undertakings	87	74	86	61
Other debtors	28	39	20	21
Prepayments and accrued income	105	117	1	1
	<u>2,077</u>	<u>1,838</u>	<u>618</u>	<u>735</u>

14 Creditors: amounts falling due within one year

	Group		Company	
	2007	2006	2007	2006
	£000	£000	£000	£000
Obligations under finance leases and hire purchase contracts	16	16	-	-
Trade creditors	304	218	90	49
Amounts owed to group undertakings	3,256	2,747	1,143	982
Taxation and social security	146	94	4	4
Other creditors	3	5	-	-
Accruals and deferred income	457	312	32	37
	<u>4,182</u>	<u>3,392</u>	<u>1,269</u>	<u>1,072</u>

15 Creditors: amounts falling due after more than one year

	Group		Company	
	2007	2006	2007	2006
	£000	£000	£000	£000
Bank Loans and overdrafts	7,150	9,100	900	2,250
Obligations under finance leases and hire purchase contracts	25	41	-	-
	<u>7,175</u>	<u>9,141</u>	<u>900</u>	<u>2,250</u>

Notes (continued)

15 Creditors: amounts falling due after more than one year (continued)

The group's medium term bank loan comprises two elements

£900,000 medium term, unsecured which bears interest at normal commercial rates. The loan has been renewed to 30 June 2009 and is part of a total facility of up to £5,000,000. This facility is supported by a letter provided to the bank from the ultimate holding company Nippon Paint Company Japan.

£6,250,000 medium term, unsecured which bears interest at normal commercial rates. The loan has been renewed to 30 June 2009 and is part of a total facility of up to £12,000,000. This facility is guaranteed by a letter provided to the bank from the ultimate parent company Nippon Paint Company Japan.

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

	2007 £000	2006 £000
Within one year	16	16
In the second to fifth years inclusive	25	41
	<u>41</u>	<u>57</u>

16 Called up share capital

	2007 £000	2006 £000
<i>Authorised</i>		
Equity Ordinary shares of £1 each	26,000	25,000
	<u>26,000</u>	<u>25,000</u>
<i>Allotted, called up and fully paid</i>		
Equity Ordinary shares of £1 each	25,950	23,950
	<u>25,950</u>	<u>23,950</u>

17 Reserves

	Profit and loss account Group £000	Company £000
At beginning of year	(9,827)	(18,663)
Loss for the year	(1,870)	(979)
Share of exchange gain in Joint venture	943	-
	<u>(10,754)</u>	<u>(19,642)</u>
At end of year	(10,754)	(19,642)

Notes (continued)

18 Commitments

(a) There were no capital commitments at the end of the financial year

(b) Annual commitments under non-cancellable operating leases are as follows

Group	2007 £000	2006 £000
Operating leases which expire		
Within one year	33	12
In the second to fifth years inclusive	63	75
After five years	-	4
	<hr/> 96	<hr/> 91
	<hr/>	<hr/>

The company does not have any commitments under non cancellable operating leases

19 Pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the fund and amounted to £83,000 (2006 £88,000)

There were no outstanding or prepaid contributions at 31 December 2007 (2006 £Nil)

20 Contingent liabilities

Nippon Paint co Ltd has guaranteed medium term loans and other banking facilities of the subsidiary undertaking, NP Automotive Coatings (Europe) Limited. The maximum exposure is limited to £12,000,000 (2006 £12,000,000) for the subsidiary undertaking.

21 Ultimate parent company and parent undertaking of larger group

The largest group in which the results of the company are consolidated is that headed by Nippon Paint Co Limited, incorporated in Japan.

The consolidated accounts of these groups are available to the public and may be obtained from 1-2, 2 Chome, Oyodo-Kita, Kita-Ku, Osaka 531, Japan.