Nippon Paint (Europe) Limited

Directors' report and consolidated financial statements

Registered number 2398802

31 December 2012

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Directors' report

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2012

Principal activities and business review

The principal activities of the holding company, Nippon Paint (Europe) Limited, continues to be the performance of technical and business related activities for the ultimate parent company, Nippon Paint Company 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 (NPAE), continues 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 NPAE 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

Proposed dividend

The directors do not recommend the payment of a dividend *(2011 £nil)*

Directors and directors' interests

The directors who held office during the year were as follows

H Ueno
M Iwamura

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

Directors' report *(continued)*

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 auditor

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 auditor is 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 auditor is aware of that information

Auditor

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

By order of the board

M Iwamura
Managing Director

Britannia Trade Park
Radway Road
Swindon
SN3 4ND
Wiltshire

25th April 2013

Statement of Directors' Responsibilities in respect of the Directors' report and the Financial Statements

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

Company law requires the directors to prepare financial statements for each financial year Under that law they have 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 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

KPMG LLP
Arlington Business Park
Theale
Reading
RG7 4SD

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

We have audited the financial statements of Nippon Paint (Europe) Limited for the year ended 31 December 2012, set out on pages 6 to 19 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 auditors' 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www frc org uk/auditscopeukprivate

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2012 and of the group's profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice and,
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

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

Independent auditor's report to the members of Nippon paint (Europe) Limited *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

25/4/13

Andrew Stevenson
Senior Statutory Auditor
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants & Registered Auditor
Arlington Business Park
Theale
Reading
RG7 4SD

Consolidated profit and loss account
for the year ended 31 December 2012

	Note	**2012**	2011
		£000	£000
Turnover continuing operations			
Group turnover	*2*	**21,771**	19,978
Cost of sales		**(18,997)**	(17,044)
Gross profit		**2,774**	2,934
Administrative expenses		**(2,754)**	(2 922)
Group operating profit		**20**	12
Interest receivable and similar income	*3*	**233**	36
Interest payable and similar charges	*4*	**(133)**	(200)
Profit/(loss) on ordinary activities before taxation	*5*	**120**	(152)
Tax on profit/(loss) on ordinary activities	*8*	**-**	-
Profit/(loss) for the financial year	*16*	**120**	(152)

All amounts arise from continuing activities

There is no material difference between the company's results as reported and on an unmodified historical cost basis Accordingly, no note of historical profits and losses has been included

Notes from pages 10 to 19 form part of the financial statements

Consolidated balance sheet
at 31 December 2012

	Note	**2012** **£000**	**2012** **£000**	2011 £000	2011 £000
Fixed assets					
Tangible assets	*9*		**3,294**		3,399
Investments	*10*		**7**		7
			3,301		3,406
Current assets					
Stocks	*11*	**4,766**		4,725	
Debtors	*12*	**3,768**		4,122	
Cash at bank and in hand		**3,380**		3,414	
		11,914		12 261	
Creditors: amounts falling due within one year	*13*	**(5,916)**		(6,485)	
Net current assets			**5,998**		5,776
Total assets less current liabilities			**9,299**		9,182
Creditors: amounts falling due after more than one year	*14*		**-**		(3)
Net assets			**9,299**		9,179
Capital and reserves					
Called up share capital	*15*		**25,950**		25,950
Profit and loss account	*16*		**(16,651)**		(16.771)
Equity shareholders' funds			**9,299**		9,179

Notes from pages 10 to 19 form part of the financial statements

These financial statements were approved by the board of directors on 25th April 2013 and were signed on its behalf by

M Iwamura
Managing Director

Company balance sheet
at 31 December 2012

	Note	**2012 £000**	**2012 £000**	2011 £000	2011 £000
Fixed assets					
Investments	*10*		**3,000**		3 170
			3,000		3,170
Current assets					
Debtors	*12*	**5,262**		4 467	
Cash at bank and in hand		**2,724**		3 155	
		7,986		7,622	
Creditors amounts falling due within one year	*13*	**(1,706)**		(1,612)	
Net current assets			**6,280**		6,010
Total assets less current liabilities			**9,280**		9 180
Net assets			**9,280**		9,180
Capital and reserves					
Called up share capital	*15*		**25,950**		25,950
Profit and loss account	*16*		**(16,670)**		(16,770)
Equity shareholders' funds			**9,280**		9,180

Notes from pages 10 to 19 form part of the financial statements

These financial statements were approved by the board of directors on 25th April 2013 and were signed on its behalf by

M Iwamura
Managing Director

Consolidated statement of total recognised gains and losses
for the year ended 31 December 2012

	2012 £000	2011 £000
Profit/(loss) for the financial year	**120**	(152)
Total recognised gains and losses relating to the financial year	**120**	(152)

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2012

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Profit/(loss) for the financial year	**120**	(152)	**100**	(157)
Net addition to equity shareholders' funds	**120**	(152)	**100**	(157)
Opening equity shareholders' funds	**9,179**	9,331	**9,180**	9,337
Closing equity shareholders' funds	**9,299**	9,179	**9,280**	9,180

Notes from pages 10 to 19 form part of the financial statements

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 company has considerable financial resources together with long term contracts with a number of customers and suppliers across a number of geographic areas As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis in preparing the annual financial statements

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 19

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertaking made up to 31 December 2012

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

In the company's financial statements, investment in subsidiary is stated at cost less any impairment

The company has taken advantage of the exemption in Section 408 of the Companies Act 2006 not to present its own profit and loss account The company's profit for the financial year, determined in accordance with the Act, was £100,000 *(2011 loss £157,000)*

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

Notes *(continued)*

1 Accounting policies (continued)

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

Pension costs

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

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 to customers during the year and is recognised on delivery of goods to customers

2 Analysis of turnover

Group	**2012**	2011
	£000	£000
By geographical market		
United Kingdom	**9,093**	8,881
Europe	**4,014**	4,092
Rest of the world	**8,664**	7,005
	21,771	19,978

Notes *(continued)*

3 Interest receivable and similar income

	2012 £000	2011 £000
Bank interest receivable and similar income	**233**	36

4 Interest payable and similar charges

	2012 £000	2011 £000
Interest element of finance leases and hire purchase payments	**1**	1
Exchange losses	**132**	199
	133	200

5 Profit on ordinary activities before taxation

	2012 £000	2011 £000
Profit on ordinary activities before taxation is stated after charging/(crediting).		
Auditor's remuneration		
For the group audit	**40**	37
For the company audit	**22**	21
Fees paid to the auditor and its associates in respect of other qualifying sources	**12**	16
Depreciation and other amounts written off tangible and intangible fixed assets		
Owned	**182**	173
Leased	**2**	2
Hire of plant and machinery - rentals payable under operating leases	**4**	4
Hire of other assets - operating leases	**77**	70
Service charge income	**(361)**	(325)

The service charge income includes £45,000 (*2011 £42,000)* arising from transactions with the ultimate parent company, and £317,000 *(2011 £283,000)* from transactions with group companies

6 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	
	2012	2011
Production	**31**	29
Administration	**29**	32
	60	61

Notes *(continued)*

6 Staff numbers and costs *(continued)*

The aggregate payroll costs of these persons were as follows

	2012	2011
	£000	£000
Wages and salaries	2,101	2,162
Social security costs	194	182
Other pension costs	122	109
	2,417	2,453

7 Remuneration of directors

	2012	2011
	£000	£000
Directors' emoluments	138	178
	138	178

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £138,000 *(2011 £178,000)* The highest paid director received contributions to money purchase pension schemes of £nil *(2011 £nil)* All amounts paid to this director were settled by the subsidiary, NP Automotive Coatings (Europe) Ltd

8 Taxation

Analysis of charge in the period

	2012	2011
	£000	£000
UK corporation tax		
Current tax on profit for the period	-	-
Tax on profit on ordinary activities	-	-

Notes *(continued)*

8 Taxation *(continued)*

Factors affecting the tax charge for the current period

The current tax charge for the period is lower *(2011 lower)* than the standard rate of corporation tax of 24 5% *(2011 26 5%)* The differences are explained below

	2012 £000	2011 £000
Current tax reconciliation		
Profit/(loss) on ordinary activities before tax	**120**	(152)
Current tax at 24 5% *(2011 26 5%)*	**29**	(40)
Effects of		
Expenses not deductible for tax purposes	**1**	16
Depreciation in excess of capital allowances	**10**	8
Losses claimed from other group companies	**-**	68
Relief for losses brought forward	**(40)**	(52)
Total current tax charge (see above)	**-**	-

The company has approximately £936,763 *(2011 £1,102,008)* 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 £19,730,093 *(2011 £19,730,093)* 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	
	2012 £000	2011 £000	2012 £000	2011 £000
Timing differences relating to tangible fixed assets	**1,632**	2,297	**-**	1
Tax effect of losses and unrelieved trade charges carried forward	**4,754**	5,208	**216**	276
	6,386	7 505	**216**	277

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction

Notes *(continued)*

9 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	6,870	7	7,827	20	287	16,368
Additions	-	-	22	37	-	27	86
Disposals	-	-	-	(34)	-	(60)	(94)
Transfers	-	-	(29)	-	-	22	(7)
At end of year	1,357	6,870	-	7,830	20	276	16,353
Depreciation							
At beginning of year	-	5,997	-	6,724	20	228	12,969
Charge for year	-	33	-	129	-	22	184
On disposals	-	-	-	(34)	-	(60)	(94)
At end of year	-	6,030	-	6,819	20	190	13,059
Net book value							
At 31 December 2012	**1,357**	**840**	-	**1,011**	-	**86**	**3,294**
At 31 December 2011	1,357	873	7	1,103	-	59	3,399

Included in the fixed assets above are leased assets with net book value of £16,000 *(2011 £18,000)*

Company	Fixtures and equipment £000	Total £000
Cost		
At beginning and end of the year	38	38
Additions	-	-
Disposals	(25)	(25)
At end of the year	13	13
Depreciation		
At beginning of year	38	38
On disposals	(25)	(25)
At end of year	13	13
Net book value		
At 31 December 2012	-	-
At 31 December 2011	-	-

Notes *(continued)*

10 Fixed asset investments

Group	Investments other than loans £000
Valuation	
At beginning and end of year	7

Company	Shares in group undertakings £000	Other investments other than loans £000	Total £000
Cost			
At beginning and end of year	34,000	5	34,005
Disposal	-	(5)	(5)
	34 000	-	34,000
Provisions			
At beginning of year	30 830	5	30,835
Impairment	170	-	170
Disposal	-	(5)	(5)
At end of year	31 000	-	31,000
Net book value			
At 31 December 2012	**3,000**	-	**3,000**
At 31 December 2011	**3,170**	-	**3,170**

The companies in which the group's interest during the year was 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

Notes *(continued)*

11 Stocks

	Group	
	2012	2011
	£000	£000
Raw materials, consumables and goods in transit	**3,504**	3,411
Finished goods and goods for resale	**1,262**	1,314
	4,766	4,725

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

12 Debtors

	Group		Company	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Trade debtors	**2,010**	2,298	**1,119**	1 534
Amounts owed by group undertakings	**1,610**	1,641	**66**	102
Other debtors	**20**	15	**4,075**	2,771
Prepayments and accrued income	**128**	168	**2**	60
	3,768	4,122	**5,262**	4,467

13 Creditors: amounts falling due within one year

	Group		Company	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Obligations under finance leases and hire purchase contracts	**3**	7	**-**	-
Trade creditors	**392**	275	**166**	47
Amounts owed to group undertakings	**4,879**	5,628	**1,509**	1,462
Taxation and social security	**300**	161	**11**	4
Other creditors	**-**	-	**-**	-
Accruals and deferred income	**342**	414	**20**	99
	5,916	6,485	**1,706**	1,612

Notes *(continued)*

14 Creditors: amounts falling due after more than one year

	Group		Company	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Obligations under finance leases and hire purchase contracts	**-**	3	**-**	-
	-	3	**-**	-

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

	2012	2011
	£000	£000
Within one year	**3**	7
In the second to fifth years inclusive	**-**	3
	3	10

15 Called up share capital

	2012	2011
	£000	£000
Authorised		
Equity ordinary shares 26,000,000 of £1 each	**26,000**	26,000
Allotted, called up and fully paid		
Equity ordinary shares 25,950,000 of £1 each	**25,950**	25,950

16 Reserves

	Profit and loss account	
	Group	**Company**
	£000	**£000**
At beginning of year	(16.771)	(16,770)
Profit for the year	120	100
At end of year	**(16,651)**	**(16,670)**

Notes *(continued)*

17 Commitments

Annual commitments under non-cancellable operating leases are as follows

Group	2012	2011
	£000	£000
Operating leases which expire		
Within one year	20	19
In the second to fifth years inclusive	61	52
After five years	-	3
	81	74

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

18 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 £122,000 *(2011 £109,000)*

There were no outstanding or prepaid contributions at 31 December 2012 *(2011 £nil)*

19 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 Company 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