

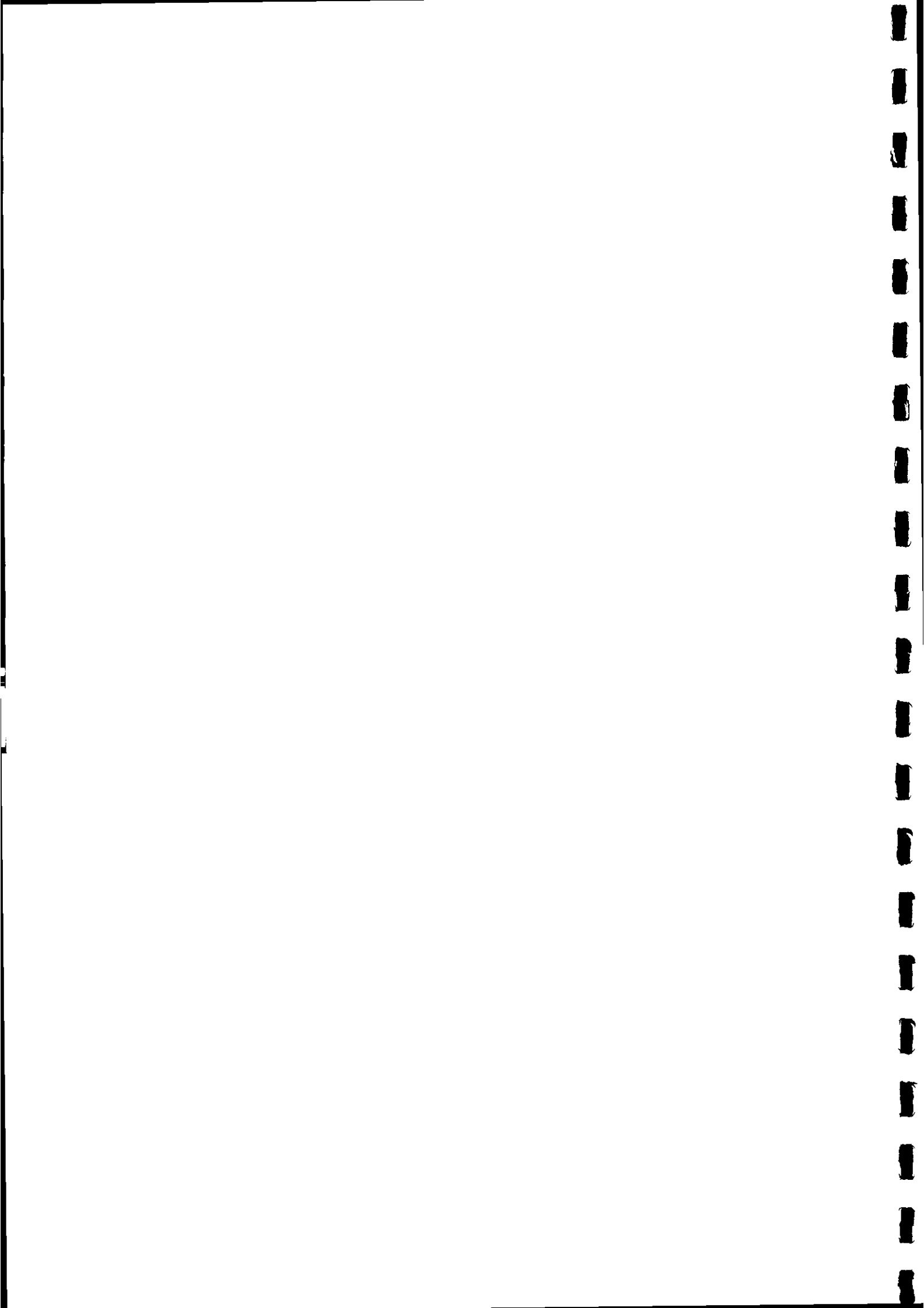
NP Automotive Coatings (Europe) Limited

**Directors' report and financial
statements**

Registered number 2651443

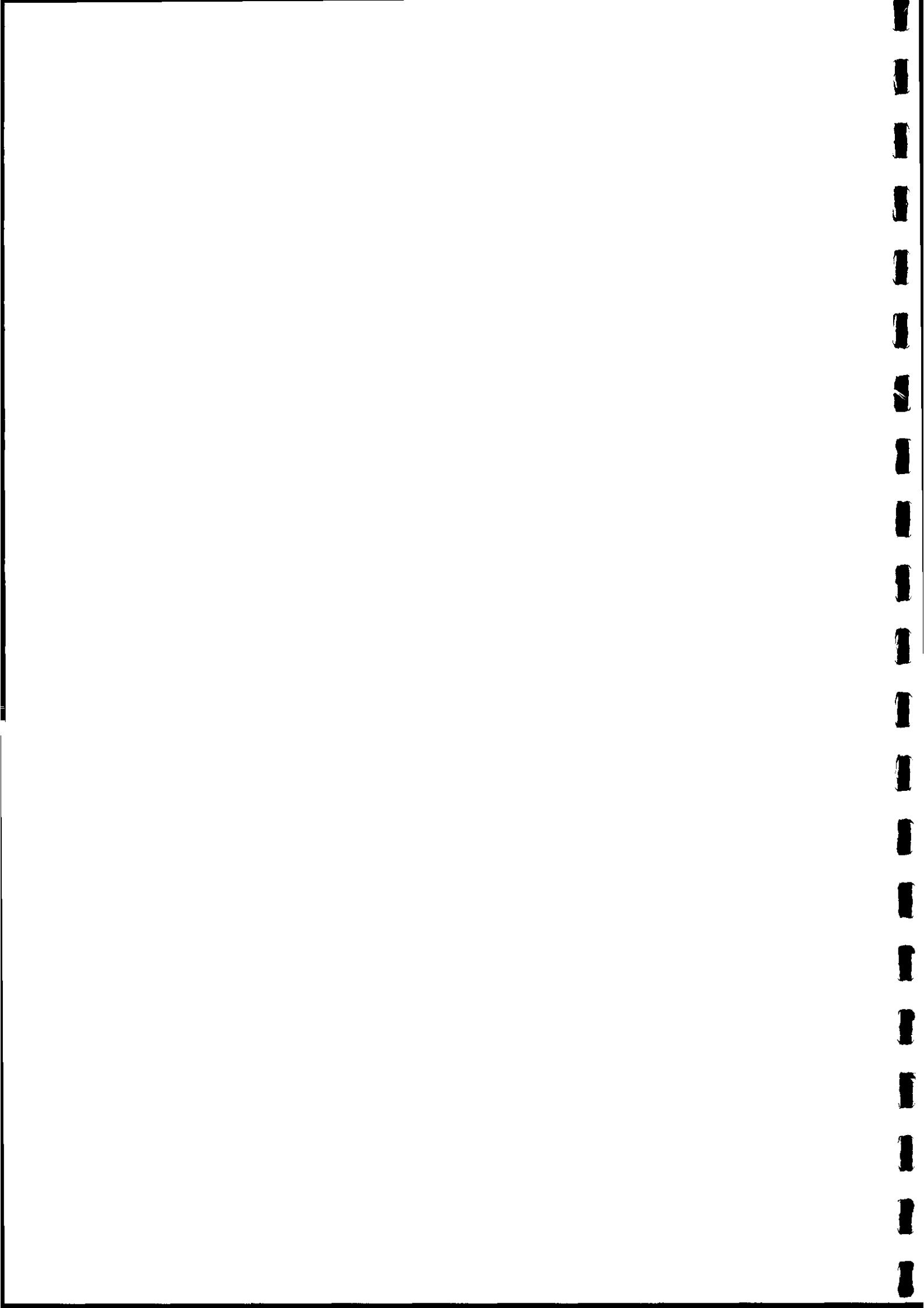
31 December 1999





Contents

Directors' report	1
Statement of directors' responsibilities	3
Auditors' report to the members of NP Automotive Coatings (Europe) Limited	4
Profit and loss account	5
Balance sheet	6
Reconciliation of movements in shareholders' funds	7
Notes	8



Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1999.

Principal activities

The principal activity of the company continues to be the manufacture and sale of specialised paints used in the motor industry. The company now manufactures paints for an extensive range of automotive parts in both the plastics and metal based categories. Advanced computer techniques coupled with the company's recognised expertise in this field enables it to enjoy the reputation of being acknowledged specialists in automotive coatings.

Business review

During the year the company maintained its position as principal supplier of automotive coatings to Nissan Motor Manufacturing (UK) Limited.

However the directors are aware of this dependency on one customer and the company has been successful in broadening its customer base thereby reducing its reliance on Nissan business.

In common with many suppliers to the UK motor industry we are constantly under pressure to reduce our prices. In order to maintain our market share we are absorbing such pressures by making efficiencies in the manufacturing prices, localising raw materials and controlling our 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.

Proposed dividend

The directors do not recommend the payment of a dividend.

Directors and directors' interests

The directors who held office during the year were as follows:

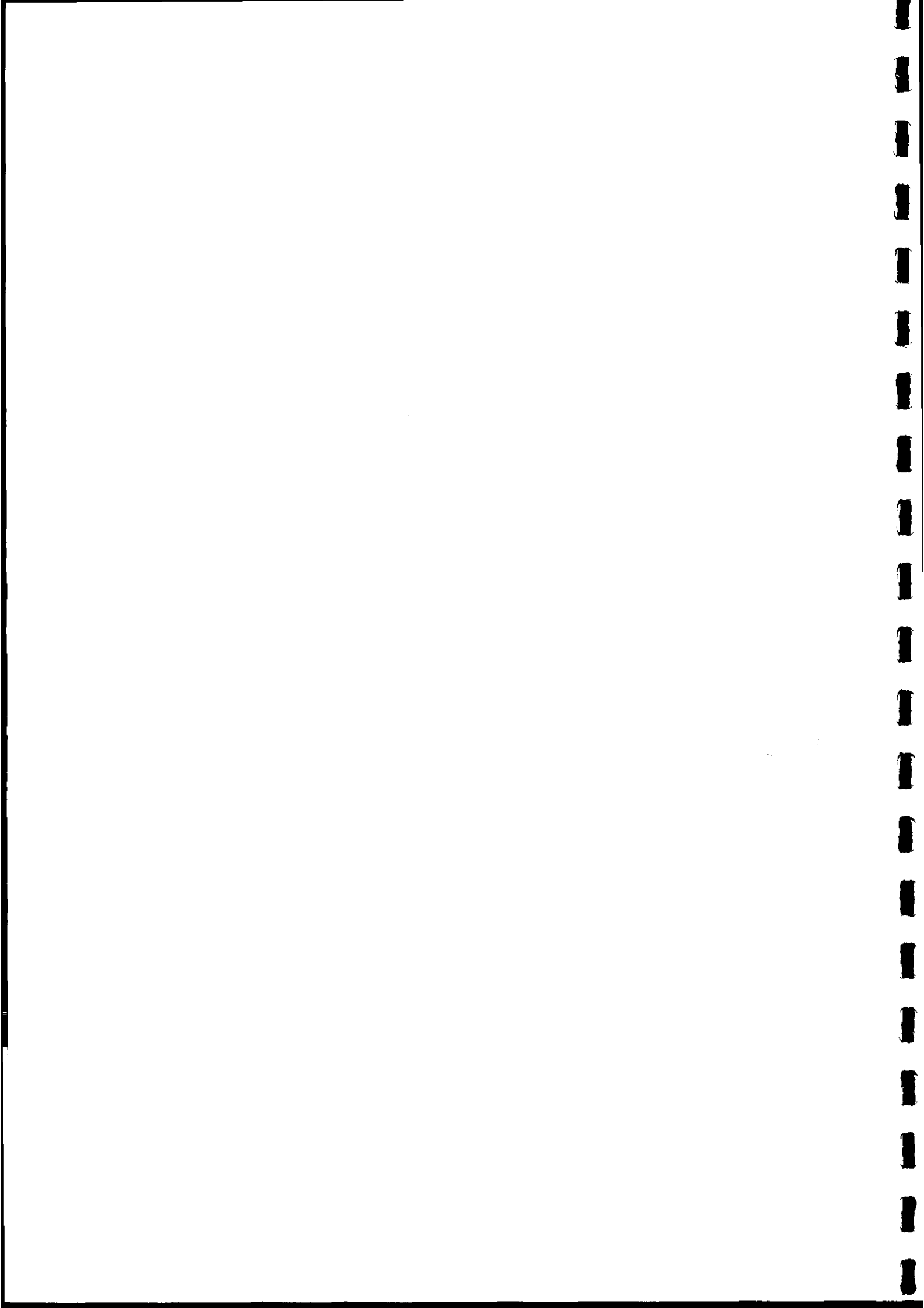
William A Jones	
Takeshi Sawada	
Shojiro Amano	(resigned 10 November 1999)
Makoto Matsuura	
Norboru Sakaguchi	(resigned 10 November 1999)
Teruyoshi Fujishima	(appointed 10 November 1999)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

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.

Year 2000

The company encountered no problems at or after the year end as a consequence of the date change to the year 2000. The total cost of the compliance programme, which included both internal and external revenue and capital costs, was in line with the expected cost of £25,000. The situation continues to be monitored in case any related event should arise but the company is unable to give categorical assurances that no such problems will occur.



Directors' report *(continued)*

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 company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employees

The company 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 company. 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.

Auditors

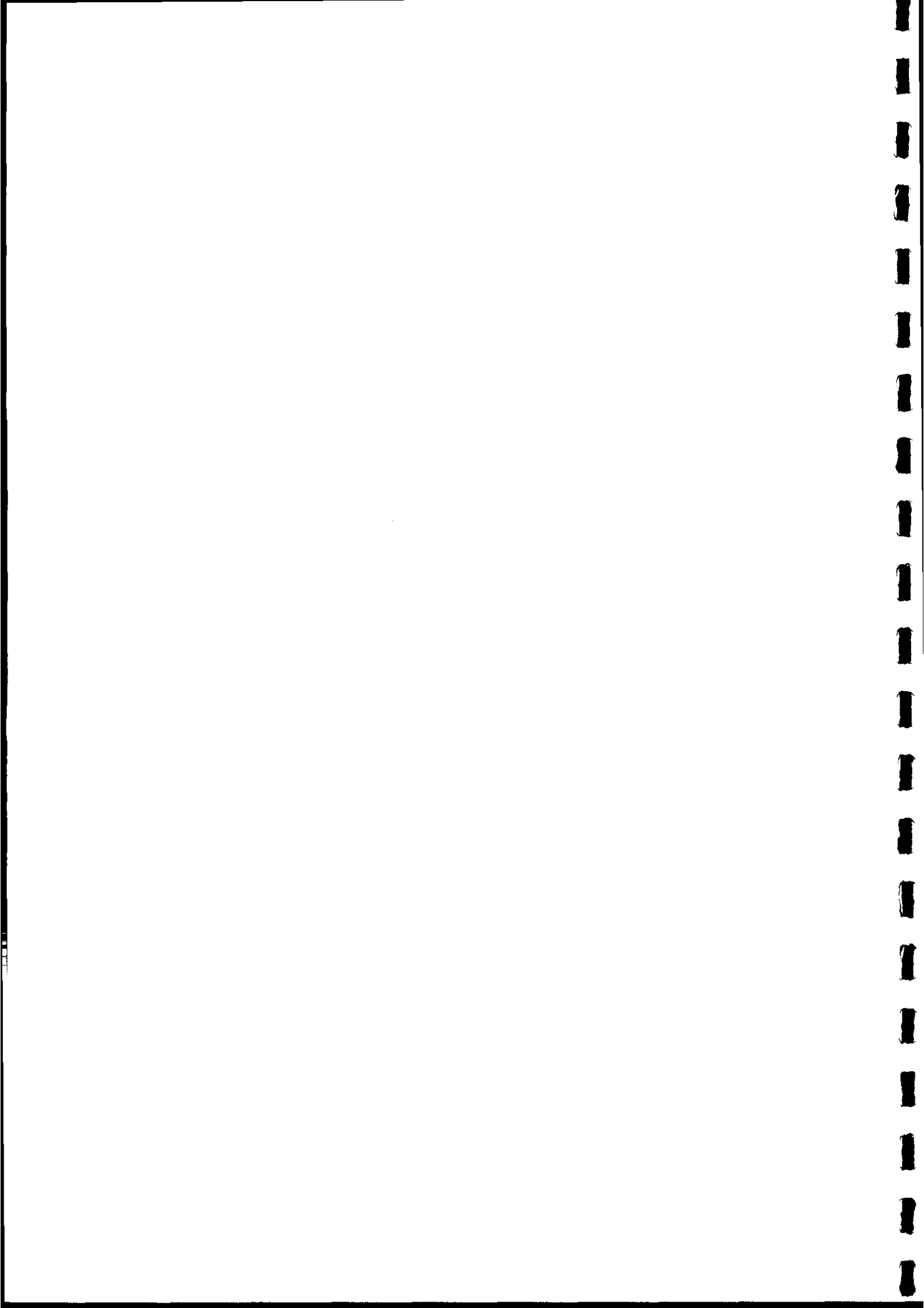
In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



T Sawada
Director

Britannia Trade Park
Radway Road
Swindon
Wiltshire
SN3 4ND

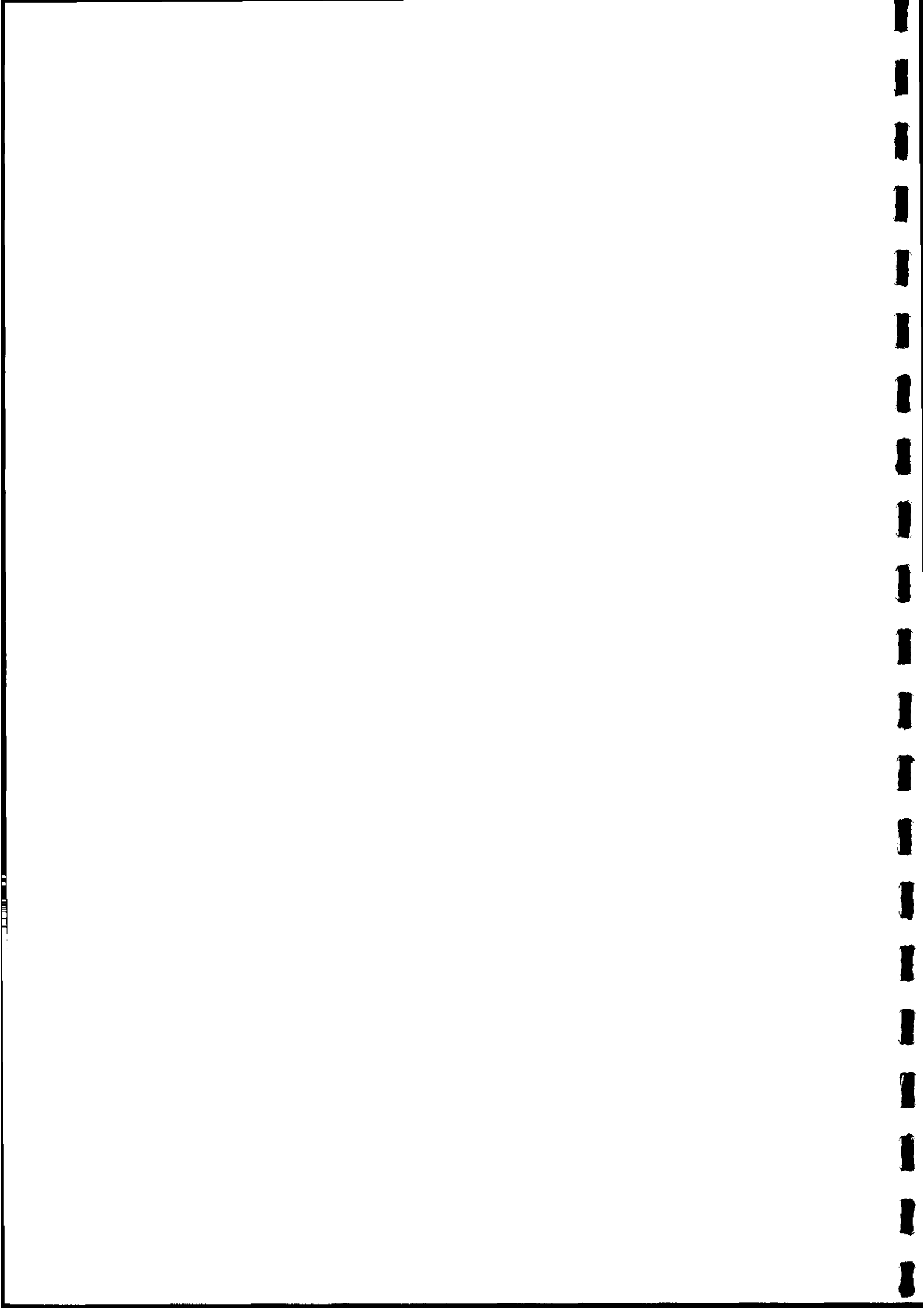


Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the 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.





PO Box 695
8 Salisbury Square
London EC4Y 8BB
United Kingdom

Auditors' report to the members of NP Automotive Coatings (Europe) Limited

We have audited the financial statements on pages 5 to 17.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

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 the company's affairs as at 31 December 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'KPMG' or similar, written over the printed KPMG name.

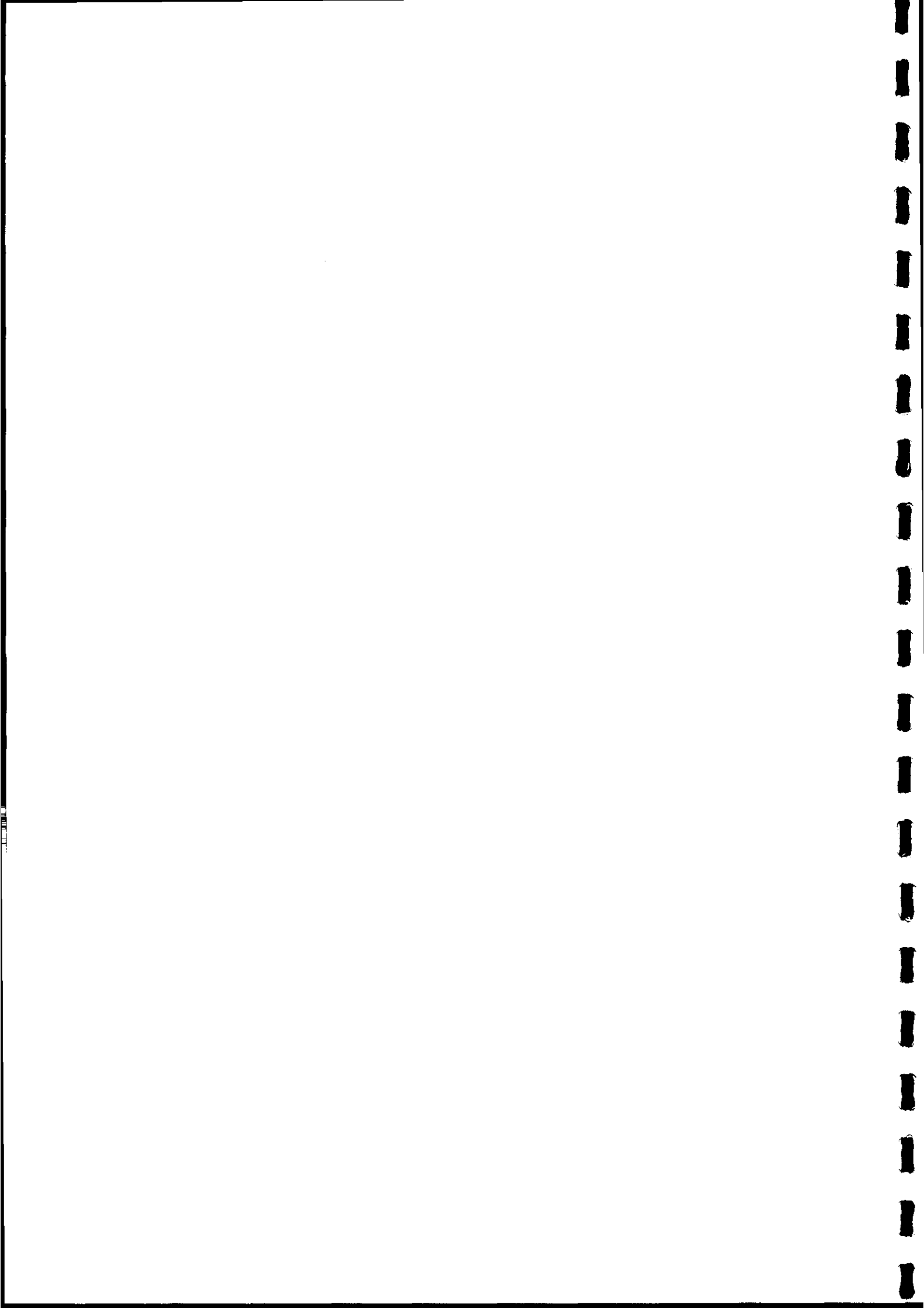
KPMG
Chartered Accountants
Registered Auditors

A handwritten signature in dark ink, appearing to read '7 July 2000'.

Profit and loss account
for the year ended 31 December 1999

	<i>Note</i>	1999 £000	1998 £000
Turnover	2	8,757	9,483
Cost of sales		(6,345)	(6,559)
Gross profit		2,412	2,924
Administrative expenses		(3,268)	(3,641)
Operating loss		(856)	(717)
Other interest receivable and similar income		8	15
Interest payable and similar charges	6	(571)	(547)
Loss on ordinary activities before taxation	3	(1,419)	(1,249)
Tax on profit on ordinary activities	7	-	-
Loss for the financial year	16	(1,419)	(1,249)

There are no recognised gains or losses other than the loss for the period. All items relate to continuing operations.



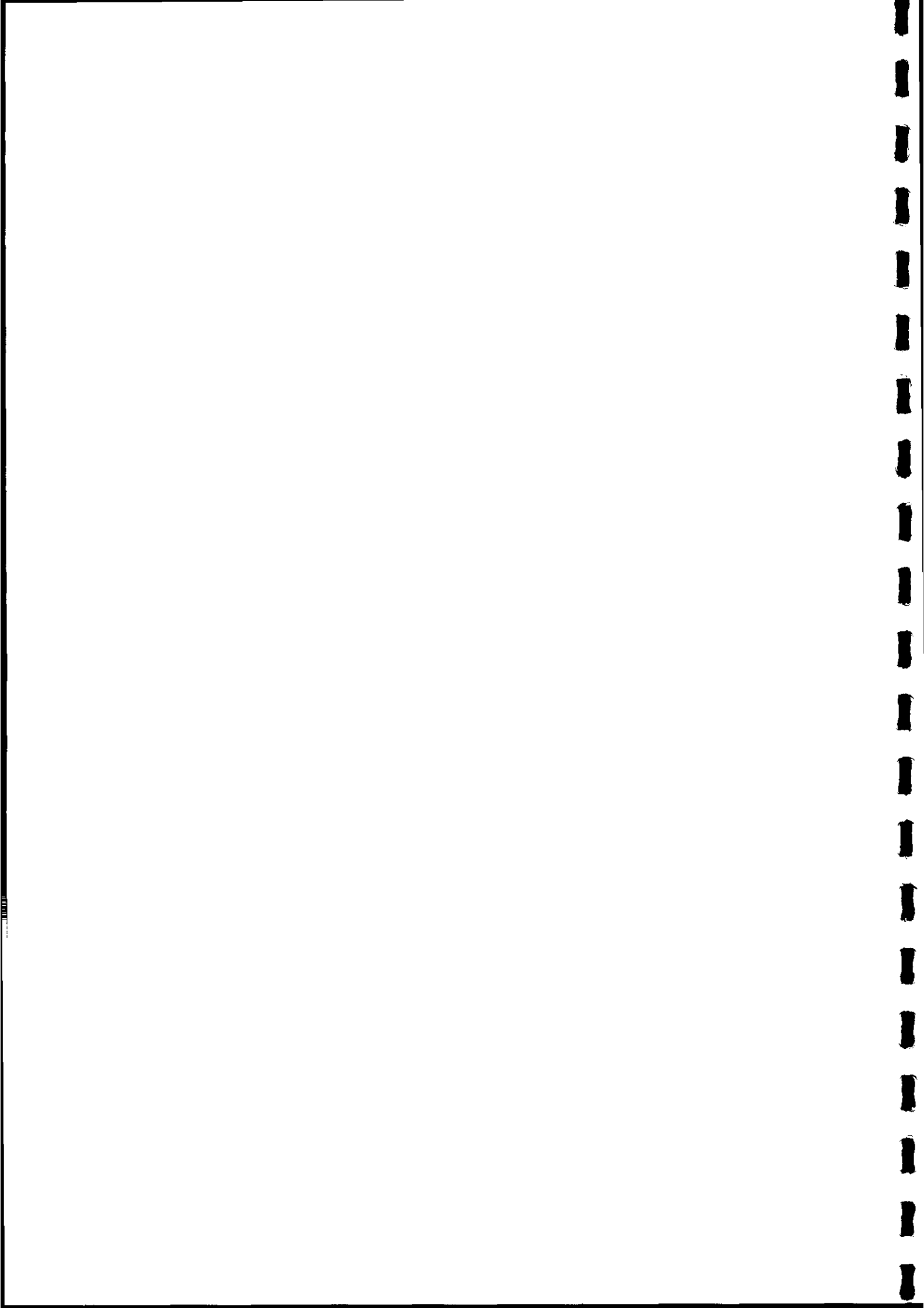
Balance sheet
at 31 December 1999

	Note	1999 £000	1998 £000
Fixed assets			
Intangible assets	8	596	706
Tangible assets	9	10,287	10,951
Investments	10	70	70
		<u>10,953</u>	<u>11,727</u>
Current assets			
Stocks	11	3,270	3,376
Debtors	12	1,070	1,101
Cash at bank and in hand		573	573
		<u>4,913</u>	<u>5,050</u>
Creditors: amounts falling due within one year	13	<u>(4,487)</u>	<u>(5,963)</u>
Net current assets/(liabilities)		426	(913)
Total assets less current liabilities		<u>11,379</u>	<u>10,814</u>
Creditors: amounts falling due after more than one year	14	<u>(4,028)</u>	<u>(2,044)</u>
Net assets		<u>7,351</u>	<u>8,770</u>
Capital and reserves			
Called up share capital	15	14,000	14,000
Profit and loss account	16	(6,649)	(5,230)
Equity shareholders' funds		<u>7,351</u>	<u>8,770</u>

These financial statements were approved by the board of directors on *30th June 2000* and were signed on its behalf by:

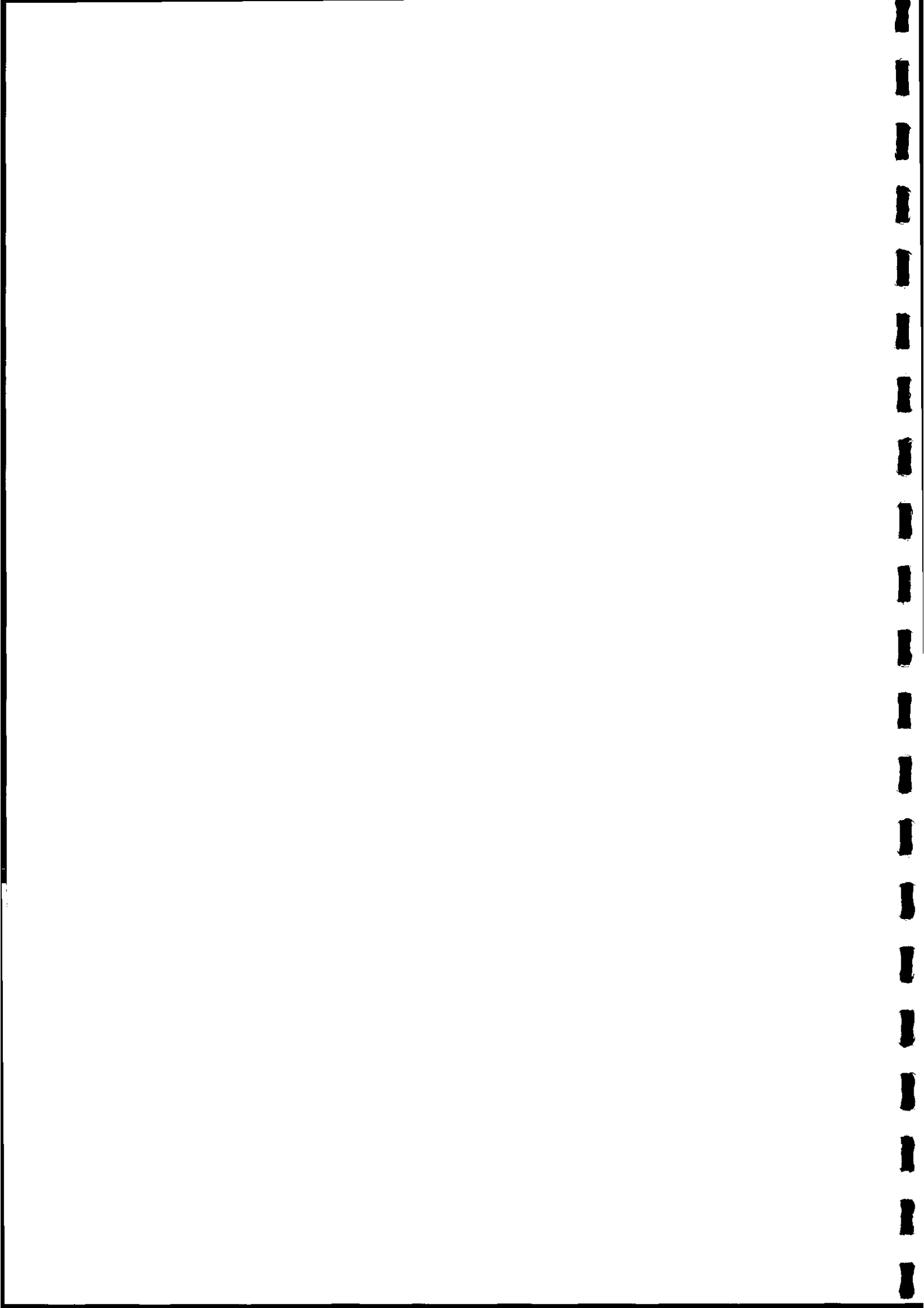


T Sawada
 Director



Reconciliation of movements in shareholders' funds
for the year ended 31 December 1999

	1999 £000	1998 £000
Retained loss for financial period	(1,419)	(1,249)
Opening shareholders' funds	8,770	10,019
	<hr/>	<hr/>
Closing shareholders' funds	7,351	8,770
	<hr/>	<hr/>



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.

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 100% of the voting rights are controlled within the group headed by Nippon Paint Company, Japan, 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 (or investees of the group qualifying as related parties). The consolidated financial statements of Nippon Paint Company Limited, Japan, within which this company is included, can be obtained from the address given in note 19.

Intangible fixed assets and amortisation

Intangible fixed assets purchased separately from a business are capitalised at their cost.

Amortisation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight line basis over its estimated useful life as follows:

Technical licences	-	10 years
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Fixed assets and depreciation

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
Plant and machinery	-	10 years
Fixtures and fittings	-	5 years
Motor vehicles and short life assets	-	3 years

No depreciation is provided on freehold land.

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 and the gains or losses on translation are included in the profit and loss account.

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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.

Post-retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Stocks

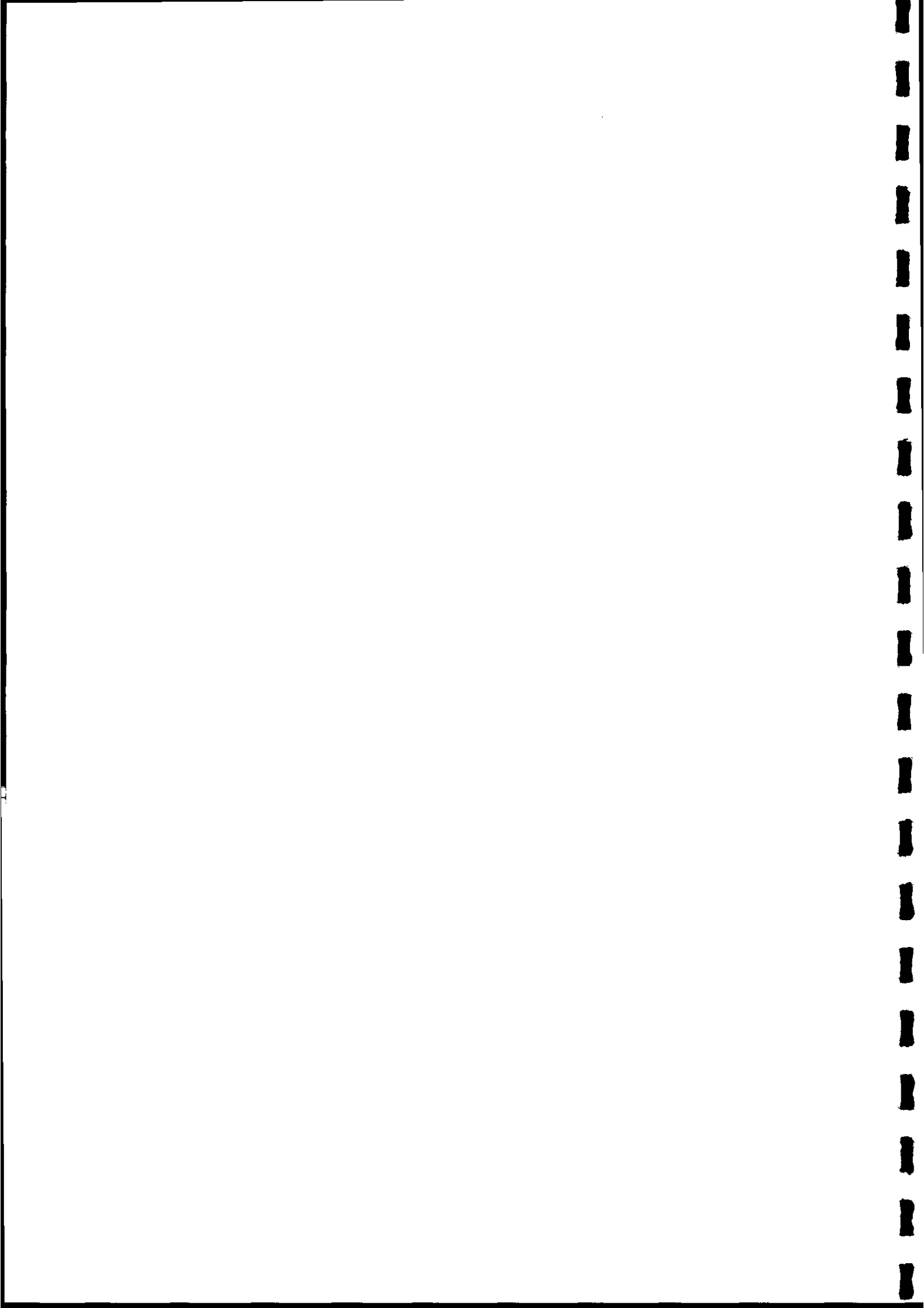
Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion 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.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.



Notes (continued)

2 Analysis of turnover

	1999 £000	1998 £000
<i>By geographical market</i>		
United Kingdom	7,975	8,521
Europe	771	934
Rest of the World	11	28
	<hr/>	<hr/>
	8,757	9,483
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3 Loss on ordinary activities before taxation

	1999 £000	1998 £000
<i>Loss on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration:		
Audit	15	15
Other services - fees paid to the auditor and its associates	4	4
Depreciation and other amounts written off tangible and intangible fixed assets:		
Owned	806	730
Leased	10	16
Amortisation of intangible fixed assets	110	110
Hire of plant and machinery - rentals payable under operating leases	31	31
Hire of other assets - operating leases	19	19
	<hr/>	<hr/>

Notes (continued)

4 Remuneration of directors

	1999 £000	1998 £000
Directors' emoluments	176	410
Company contributions to money purchase pension schemes	10	10
	<u>186</u>	<u>420</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £113,000 (1998: £199,000). The highest paid director did not receive any contributions to money purchase pension schemes (1998: £nil).

	Number of directors	
	1999	1998
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	<u>1</u>	<u>1</u>

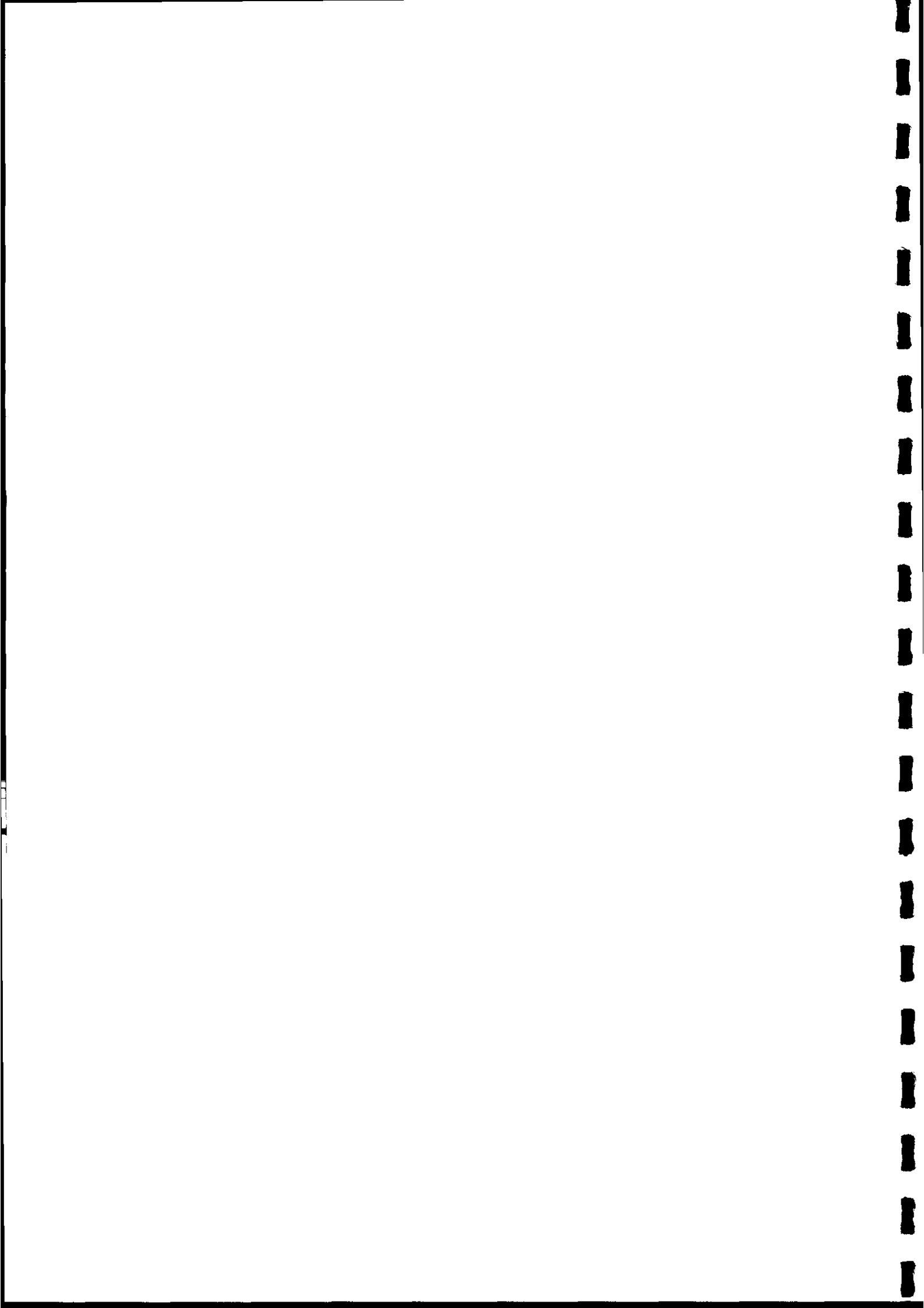
5 Staff numbers and costs

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

	Number of employees	
	1999	1998
Production	24	19
Administration	41	46
	<u>65</u>	<u>65</u>

The aggregate payroll costs of these persons were as follows:

	1999 £000	1998 £000
Wages and salaries	1,634	1,742
Social security costs	187	185
Other pension costs	87	81
	<u>1,908</u>	<u>2,008</u>



Notes (continued)

6 Interest payable and similar charges

	1999 £000	1998 £000
On bank loans and overdrafts	422	436
Amounts payable to group undertakings	10	7
Finance charges payable in respect of finance leases and hire purchase contracts	3	5
Net exchange losses	136	99
	<hr/>	<hr/>
	571	547
	<hr/>	<hr/>

7 Taxation

No taxation liability arises as a result of the loss for the year and losses brought forward from prior years.

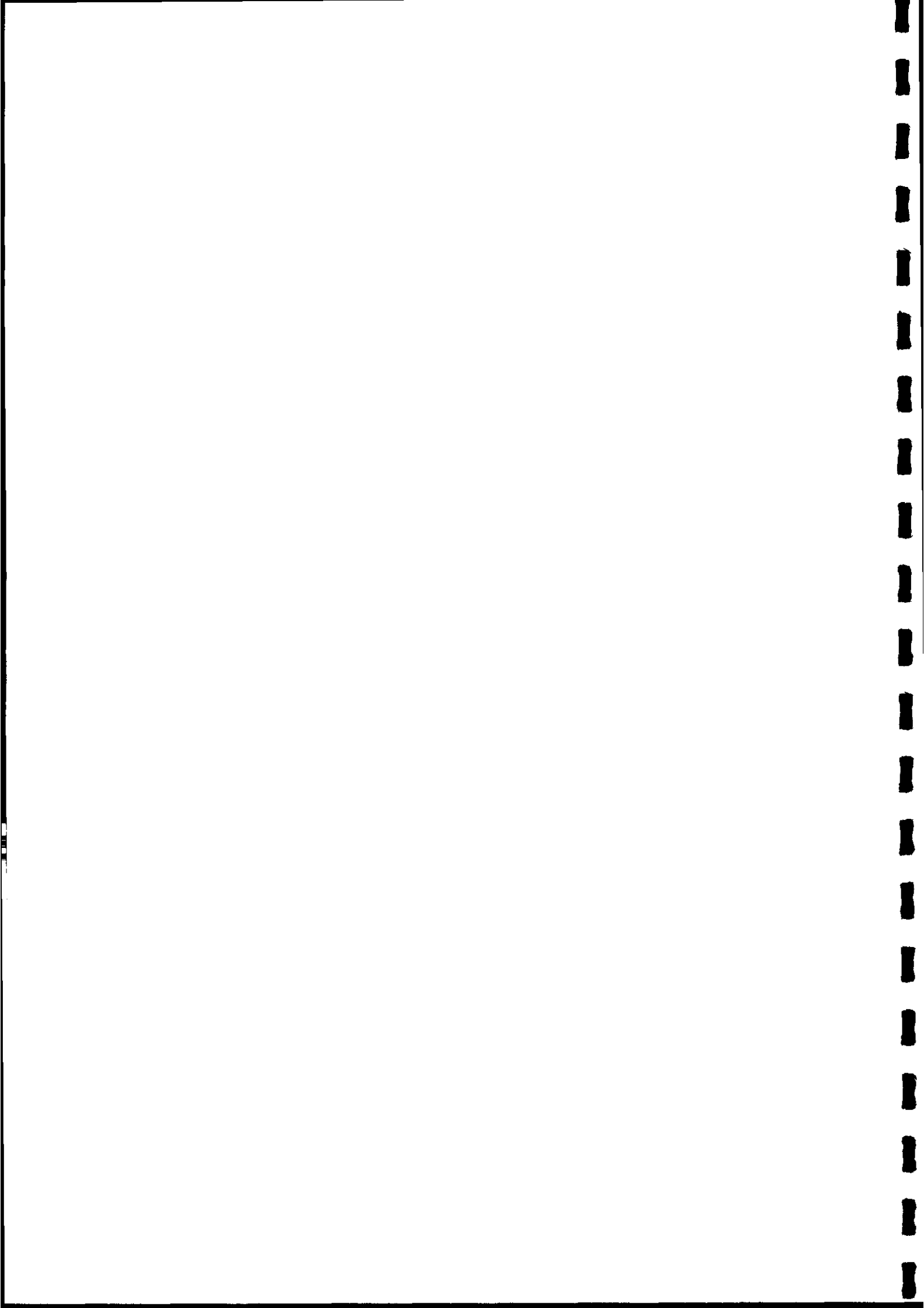
Net taxation losses of approximately £4,673,000 (1998: £3,807,000) are available for carry forward for offset against future taxable profits arising from the same trade.

Deferred taxation assets of approximately £1,928,000 (1998: £1,867,000) resulting from timing differences have not been recognised.

8 Intangible fixed assets

Technical licences for manufacturing processes:

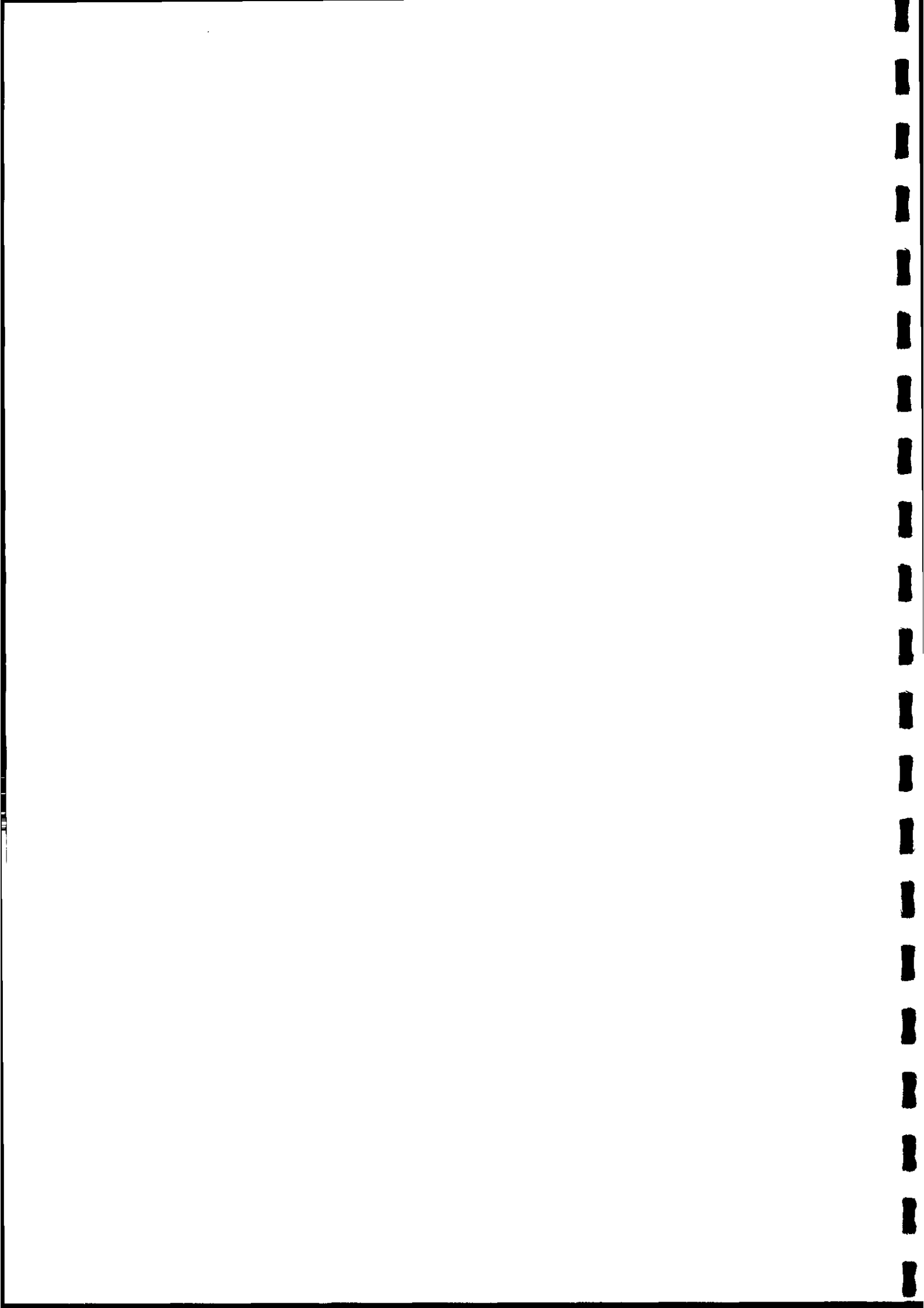
	£000
Cost	
At beginning and end of year	1,100
	<hr/>
Amortisation	
At beginning of year	394
Charged in year	110
	<hr/>
At end of year	504
	<hr/>
Net book value	
At 31 December 1999	596
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At 31 December 1998	706
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Notes (continued)

9 Tangible fixed assets

	Freehold land £000	Freehold buildings £000	Assets in the course of construction £000	Plant and machinery £000	Fixtures and equipment £000	Motor vehicles £000	Total £000
Cost							
At beginning of year	1,357	5,370	425	5,058	192	451	12,853
Additions	-	40	14	29	78	-	161
Disposals	-	-	(5)	(4)	-	-	(9)
Transfers between items	-	35	(384)	327	22	-	-
At end of year	1,357	5,445	50	5,410	292	451	13,005
Depreciation							
At beginning of year	-	465	-	1,092	122	223	1,902
Charge for year	-	178	-	559	37	42	816
On disposals	-	-	-	-	-	-	-
At end of year	-	643	-	1,651	159	265	2,718
Net book value							
At 31 December 1999	1,357	4,802	50	3,759	133	186	10,287
At 31 December 1998	1,357	4,905	425	3,966	70	228	10,951
Leased assets included above:							
Net book value							
At 31 December 1999	-	-	-	41	-	52	93
At 31 December 1998	-	-	-	45	-	58	103
Depreciation charged for the year on leased assets	-	-	-	5	-	5	10



Notes (continued)

10 Fixed asset investments

The company holds a debenture entitling usage of a Golf Club. The carrying value has been written down to reflect the expected realisable value on maturity in 2005.

	Investments other than loans £000
<i>Shares</i>	
<i>Cost</i>	
At beginning and end of year	78
	<hr/>
<i>Provisions</i>	
At beginning and end of year	8
	<hr/>
<i>Net book value</i>	
At 31 December 1999	70
	<hr/> <hr/>
At 31 December 1998	70
	<hr/> <hr/>

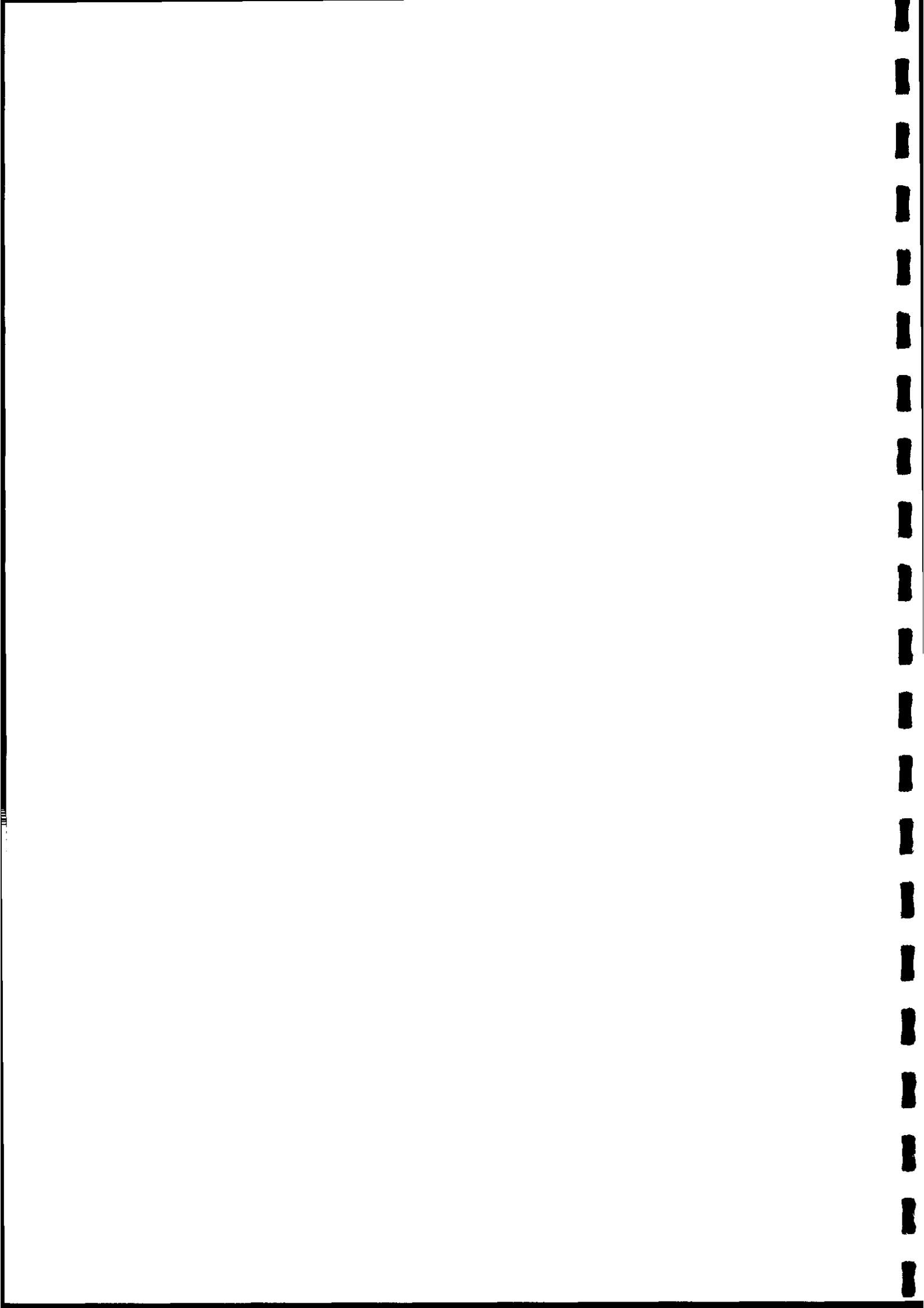
11 Stocks

	1999 £000	1998 £000
Goods in transit	164	134
Raw materials and consumables	2,153	2,175
Work in progress	-	31
Finished goods and goods for resale	953	1,036
	<hr/>	<hr/>
	3,270	3,376
	<hr/> <hr/>	<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.

12 Debtors

	1999 £000	1998 £000
Trade debtors	962	918
Amounts owed by group undertakings	21	61
Other debtors	18	18
Prepayments and accrued income	69	104
	<hr/>	<hr/>
	1,070	1,101
	<hr/> <hr/>	<hr/> <hr/>



Notes (continued)

13 Creditors: amounts falling due within one year

	1999 £000	1998 £000
Bank loans and overdrafts	2,500	4,150
Obligations under finance leases and hire purchase contracts	15	15
Trade creditors	301	476
Amounts owed to group undertakings	1,152	806
Other creditors	50	143
Accruals and deferred income	469	373
	<u>4,487</u>	<u>5,963</u>

14 Creditors: amounts falling due after more than one year

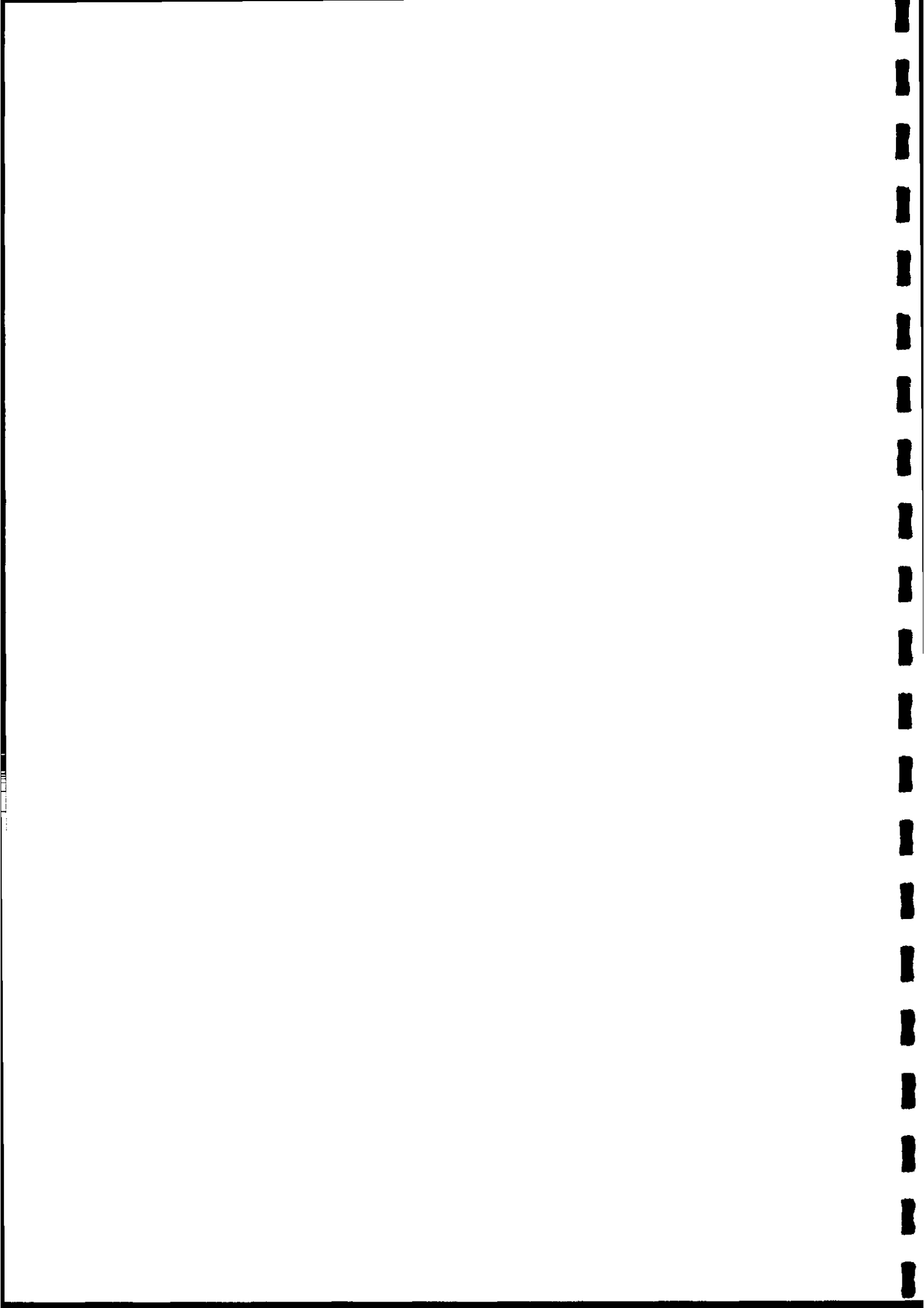
	1999 £000	1998 £000
Bank loans and overdrafts	4,000	2,000
Obligations under finance leases and hire purchase contracts	28	44
	<u>4,028</u>	<u>2,044</u>

The company's long term bank loan comprises 2 elements:

- £2,000,000 medium term, unsecured which bears interest at the fixed rate of 7.72%. This loan is repayable in full on 5 February 2001.
- £2,000,000 medium term, unsecured which bears interest at normal commercial rates. This loan is repayable in full on 30 September 2001.

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

	1999 £000	1998 £000
Within one year	15	14
In the second to fifth year	28	44
	<u>43</u>	<u>58</u>



Notes (continued)

15 Called up share capital

	1999 £000	1998 £000
<i>Authorised</i>		
Equity: 20,000,000 ordinary shares of £1 each	20,000	20,000
<i>Allotted, called up and fully paid</i>		
Equity: 14,000,000 ordinary shares of £1 each	14,000	14,000

16 Reserves

	Profit and loss account £000
At beginning of year	(5,230)
Retained loss for the year	(1,419)
At end of year	(6,649)

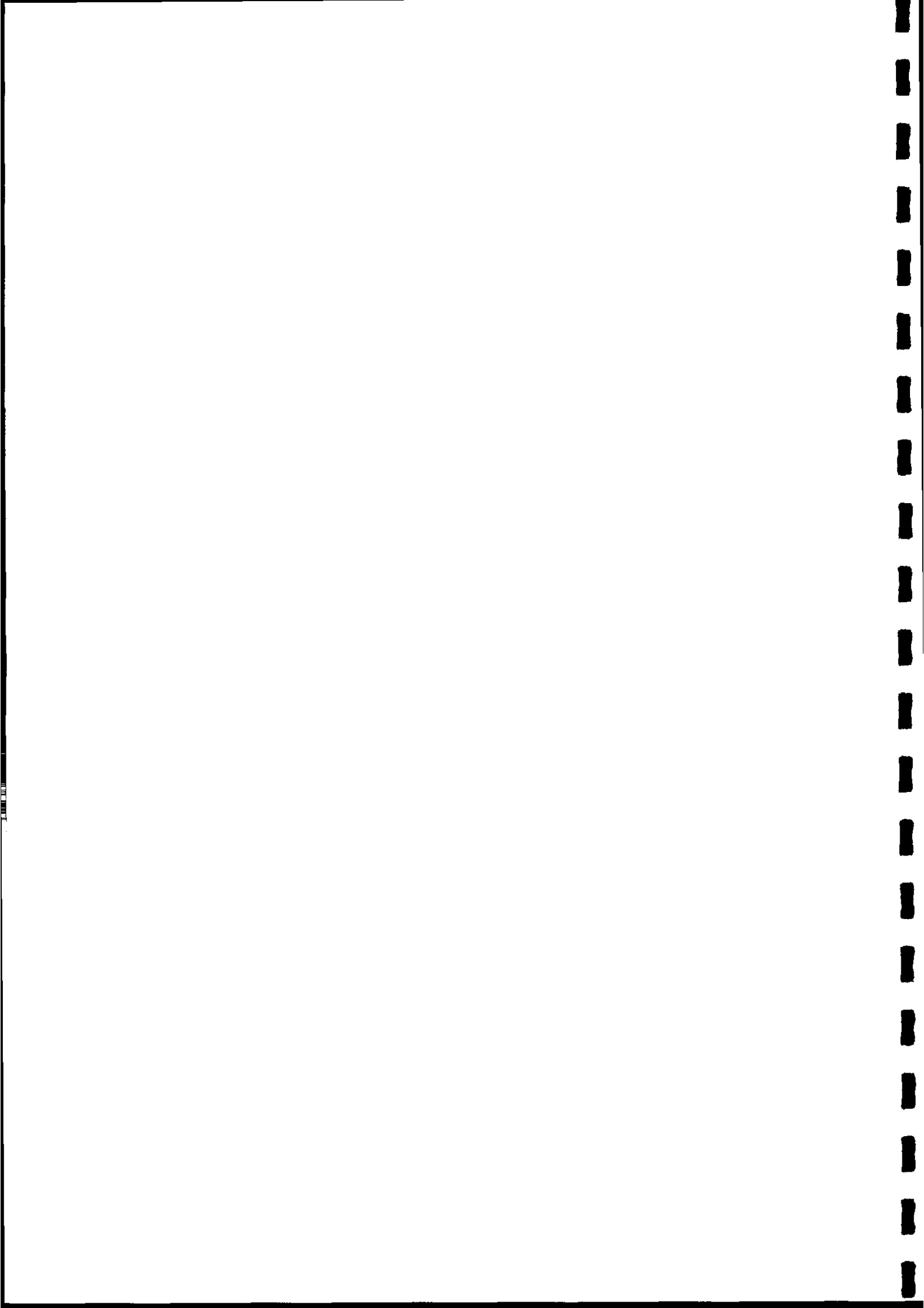
17 Commitments

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

	1999 £000	1998 £000
Contracted	-	-

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

	1999 £000	1998 £000
Operating leases which expire:		
Within one year	19	-
In the second to fifth years inclusive	30	42
Over five years	-	8
	49	50



Notes (continued)

18 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the fund and amounted to £87,000 (1998: £81,000).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

19 Ultimate parent company and parent undertaking of larger group of which the company is a member

The immediate holding company and the smallest group in which the company's results are consolidated is Nippon Paint (Europe) Limited which is incorporated in Great Britain.

The largest group in which the results of the company are consolidated is that headed by Nippon Paint Company, 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.

