

NP Automotive Coatings (Europe) Limited

**Directors' report and financial
statements**

Registered number 2651443

31 December 2013



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Strategic report

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

In common with many suppliers to the UK motor industry, the company 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.

General business overview

The Company made a profit before taxation of £1,105,000 (2012 £149,000 loss) as set out in the profit and loss account on page 7.

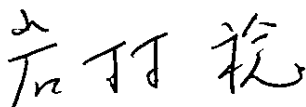
Key risks and uncertainties

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 the 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.

By order of the board



M Iwamura
Managing Director

31 March 2014

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2013

Proposed dividend

The directors do not recommend the payment of a dividend (2012 *£nil*)

Directors and directors' interests

The directors who held office during the year were as follows

M Iwamura

H Ueno resigned 1 October 2013

M Sumida appointed 1 October 2013

M Yamada appointed 1 October 2013

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

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.

Political and charitable contributions

The company made no political or charitable contributions during the year (2012 *£nil*)

Directors' report *(continued)*

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 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

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditors 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
Wiltshire
SN3 4ND

31 March 2014

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

The directors are responsible for preparing the Strategic Report and 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
United Kingdom

Independent auditor's report to the members of NP Automotive Coatings (Europe) Limited

We have audited the financial statements of NP Automotive Coatings Limited for the year ended 31 December 2013, set out on pages 7 to 17. 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 4, 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 company's affairs as at 31 December 2013 and of its 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

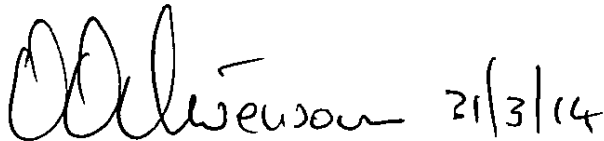
In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Independent auditor's report to the members of NP Automotive Coatings
(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 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



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

Profit and loss account
for the year ended 31 December 2013

	<i>Note</i>	2013 £000	2012 £000
Turnover	2	16,284	14,985
Cost of sales		(12,750)	(12,734)
Gross profit		3,534	2,251
Administrative expenses		(2,487)	(2,524)
Operating profit/(loss) - continuing expenses		1,047	(273)
Other interest receivable and similar income		180	227
Interest payable and similar charges	7	(122)	(103)
Profit/(loss) on ordinary activities before taxation	3	1,105	(149)
Profit/(loss) for the financial year carried forward	16	1,105	(149)

The company has no recognised gains or losses for either financial year other than the results shown above. Therefore no separate statement of total recognised gains and losses has been prepared. 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.

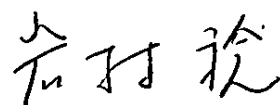
The notes from pages 10 to 17 form part of the financial statements.

Balance sheet
at 31 December 2013

	<i>Note</i>	2013 £000	2013 £000	2012 £000	2012 £000
Fixed assets					
Tangible assets	9		3,385		3,294
Investments	10		7		7
			<u>3,392</u>		<u>3,301</u>
Current assets					
Stocks	11	4,704		4,766	
Debtors	12	3,365		2,633	
Cash at bank and in hand		998		656	
		<u>9,067</u>		<u>8,055</u>	
Creditors: amounts falling due within one year	13	(4,534)		(4,276)	
Net current assets			<u>4,533</u>		<u>3,779</u>
Total assets less current liabilities			<u>7,925</u>		<u>7,080</u>
Creditors: amounts falling due after more than one year	14		(3,800)		(4,060)
Net assets			<u>4,125</u>		<u>3,020</u>
Capital and reserves					
Called up share capital	15		36,000		36,000
Profit and loss account	16		(31,875)		(32,980)
Equity shareholders' funds			<u>4,125</u>		<u>3,020</u>

The notes from pages 10 to 17 form part of the financial statements

These financial statements were approved by the board of directors on 31 March 2014 and were signed on its behalf by



M Iwamura
Managing Director

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2013

	<i>Note</i>	2013 £000	2012 £000
Retained profit/(loss) for financial period	<i>16</i>	1,105	(149)
Opening equity shareholders' funds		3,020	3,169
Closing equity shareholders' funds		4,125	3,020

The notes from pages 10 to 17 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, which have been applied consistently

The financial statements have been prepared on a going concern basis as the immediate holding company, Nippon Paint (Europe) 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 100% of the voting rights are controlled within the group headed by Nippon Paint Company Limited, 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

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	-	15 years
Fixtures and fittings	-	5 years
Motor vehicles and short life assets	-	3 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 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

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

Notes (continued)

1 Accounting policies (continued)

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 loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

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.

Turnover

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

2 Analysis of turnover

	2013 £000	2012 £000
<i>By geographical market</i>		
United Kingdom	9,332	8,765
Europe	727	868
Rest of the World	6,225	5,352
	<u>16,284</u>	<u>14,985</u>

3 Loss on ordinary activities before taxation

	2013 £000	2012 £000
<i>Loss on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration		
Audit of these financial statements	19	18
Other services – fees paid to the auditor and its associates	6	6
Depreciation and other amounts written off fixed assets		
Owned	164	182
Leased	1	2
Hire of plant and machinery – rentals payable under operating leases	-	4
Hire of other assets – operating leases	75	77
	<u>255</u>	<u>287</u>

Notes (continued)

4 Remuneration of directors

	2013 £000	2012 £000
Directors' emoluments	126	138
	<u>126</u>	<u>138</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £126,000 (2012 £138,000) The highest paid director received contributions to money purchase pension schemes of £nil (2012 £nil)

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	
	2013	2012
Production	31	31
Administration	27	27
	<u>58</u>	<u>58</u>

The aggregate payroll costs of these persons were as follows

	2013 £000	2012 £000
Wages and salaries	2,123	1,929
Social security costs	193	173
Other pension costs	119	115
	<u>2,435</u>	<u>2,217</u>

6 Interest receivable and similar income

	2013 £000	2012 £000
Exchange Gains	180	227
	<u>180</u>	<u>227</u>

Notes (continued)

7 Interest payable and similar charges

	2013 £000	2012 £000
Amounts payable to group undertakings	121	102
Finance charges payable in respect of finance leases and hire purchase contracts	1	1
Exchange losses	-	-
	<u>122</u>	<u>103</u>

8 Taxation

a) Analysis of charge in the period

No taxation has been charged in the current or prior periods

b) Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2012 lower) than the standard rate of corporation tax in the UK (23.25%, 2012 24.5%). The differences are explained below

	2013 £000	2012 £000
<i>Current tax reconciliation</i>		
Profit/(loss) on ordinary activities before tax	1,105	(149)
Current tax at 23.25% (2012 24.5%)	257	(37)
<i>Effects of</i>		
Expenses not deductible for tax purposes	1	-
Depreciation for period in excess of capital allowances	(287)	10
Losses surrendered to group companies	29	27
Total current tax charge	<u>-</u>	<u>-</u>

Trading losses of approximately £19,730,093 (2012 £19,730,093) are available for carry forward for offset against future taxable profits

The amounts of unrecognised net deferred taxation assets are as follows

	2013 £000	2012 £000
Timing differences relating to tangible fixed assets	935	1,632
Tax effect of losses and unrelieved trade charges carried forward	3,946	4,538
Total current tax and tax on loss on ordinary activities	<u>4,881</u>	<u>6,170</u>

The asset has not been recognised within these financial statements. The asset will only be recognised when it is more likely than not that there will be taxable profits in the future against which the deferred tax asset can be offset.

Notes (continued)

8 Taxation (continued)

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2013 has been calculated based on the rates of 20% substantively enacted at the balance sheet date.

9 Tangible fixed assets

	Freehold Land £000	Freehold Buildings £000	Assets in course of construction £000	Plant and machinery £000	Fixtures and equipment £000	Motor vehicles £000	Total £000
Cost							
At beginning of year	1,357	6,870	-	7,830	263	20	16,340
Additions	-	-	218	15	23	-	256
Disposals	-	-	-	-	(21)	-	(21)
Transfers	-	-	(218)	204	14	-	(-)
At end of year	1,357	6,870	-	8,049	279	20	16,575
Depreciation							
At beginning of year	-	6,030	-	6,819	177	20	13,046
Charge for year	-	32	-	104	29	-	165
On disposals	-	-	-	-	(21)	-	(21)
At end of year	-	6,062	-	6,923	185	20	13,190
Net book value							
At 31 December 2013	1,357	808	-	1,126	94	-	3,385
At 31 December 2012	1,357	840	-	1,011	86	-	3,294

Included in the fixed assets above are leased assets with net book value of £15,000 (2012 £16,000). The depreciation on these assets was £1,000 (2012 £2,000).

Notes (continued)

10 Fixed asset investments

The company holds a founder member share in a golf club

	Investments other than loans £000
<i>Shares</i>	
<i>Cost</i>	
At beginning and end of year	7
<i>Provisions</i>	
At beginning and end of year	-
<i>Net book value</i>	
At 31 December 2013	7
At 31 December 2012	7

11 Stocks

	2013 £000	2012 £000
Raw materials, consumables and good in transit	3,535	3,504
Finished goods and goods for resale	1,169	1,262
	<u>4,704</u>	<u>4,766</u>

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

12 Debtors

	2013 £000	2012 £000
Trade debtors	876	891
Amounts due from related companies	2,360	1,611
Prepayments and other debtors	129	131
	<u>3,365</u>	<u>2,633</u>

Notes (continued)

13 Creditors: amounts falling due within one year

	2013 £000	2012 £000
Obligations under finance leases and hire purchase contracts	-	3
Trade creditors	253	226
Amounts owed to group undertakings	3,392	3,436
Taxation and social security	462	289
Accruals and deferred income	427	322
	<u>4,534</u>	<u>4,276</u>

14 Creditors: amounts falling due after more than one year

	2013 £000	2012 £000
Amounts owed to group undertakings - Nippon Paint (Europe) Limited	3,800	4,060
Obligations under finance leases and hire purchase contracts	-	-
	<u>3,800</u>	<u>4,060</u>

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

	2013 £000	2012 £000
Within one year	-	3
In the second to fifth year	-	-
	<u>-</u>	<u>3</u>

15 Called up share capital

	2013 £000	2012 £000
<i>Allotted, called up and fully paid</i>		
Equity 36,000,000 ordinary shares of £1 each	<u>36,000</u>	<u>36,000</u>

Notes (continued)

16 Reserves

	Profit and loss account £000
At beginning of year	(32,980)
Retained profit for the year	1,105
At end of year	(31,875)

17 Commitments

Annual commitments under non-cancellable operating leases are as follows

	2013 £000	2012 £000
<i>Operating leases which expire</i>		
Within one year	14	20
In the second to fifth years inclusive	61	61
After five years	-	-
	75	81

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 £119,000 (2012: £115,000).

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 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.