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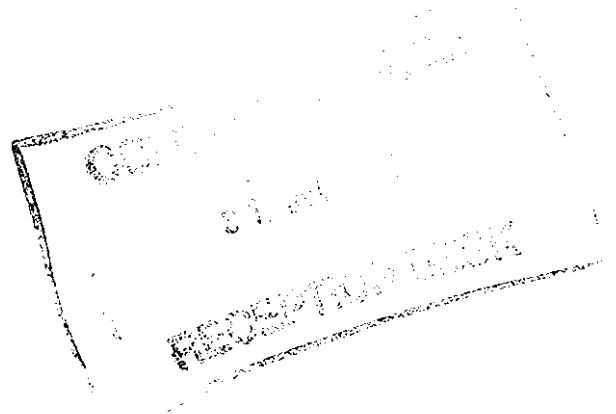
ARTHUR  
ANDERSEN

ARTHUR ANDERSEN & CO, SC

NBC (UK) LTD.

Financial statements 31 December 1994  
together with directors' and auditors' reports

Registered number: 2651443



## Directors' report

For the 9 months ended 31 December 1994

The directors present their report on the affairs of the company, together with the financial statements and auditors' report, for the 9 months from 1 April 1994 to 31 December 1994.

### Principal activity and business review

The principal activity of the company continues to be the manufacture and sale of specialised paints for plastics used in the motor industry.

The directors feel that in spite of the generally depressed economic climate, the prospects for the company in the forthcoming year are good.

As a result of the transaction subsequent to the year end as described in note 17 the company plans to significantly expand its operations and to this end is extending its factory to accommodate new processes and technologies.

### Results and dividends

The loss for the period amounted to £14,539 (year ended 31 March 1994 - £480,027).

The directors are unable to recommend the payment of a dividend for the period.

### Directors and their interests

The directors who served throughout the period are as shown below:

Hiroyoshi Suenaga

William A. Jones

Kozo Kema

Rikio Kubo

Michio Ibuki

The directors do not have any interests in the shares of the company or other group companies which are required to be disclosed under the Companies Act 1985.

### Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which 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 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;

## Directors' report (continued)

### Directors' responsibilities (continued)

- state whether applicable 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 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Fixed assets

Information relating to changes in tangible fixed assets is given in note 8 to the financial statements.

### 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 with that of other employees.

### Employee consultation

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

Arthur Andersen have indicated their willingness to continue in office, and a resolution proposing their reappointment as auditors for the ensuing year will be placed before the annual general meeting.

Britannia Trade Park  
Radway Road  
Swindon  
Wiltshire  
SN3 4ND

By order of the Board,



W.A. Jones

Company Secretary and Director

31 May 1995

# ARTHUR ANDERSEN

## Auditors' report

London

To the Shareholders of NBC (UK) Ltd:

We have audited the financial statements on pages 4 to 17 which have been prepared under the historical cost convention and the accounting policies set out in note 1 on pages 7 and 8.

### Respective responsibilities of directors and auditors

As described in the directors' report on pages 1 and 2 the company's directors are responsible for the preparation of the financial statements and it is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

### Basis of opinion

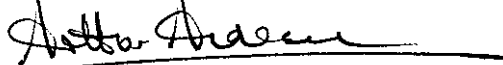
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements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

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

In forming our opinion, we have considered whether the company is able to meet its obligations as they fall due and the adequacy of the disclosures made in notes 16 and 17 of these financial statements regarding the assurances of support received by the directors. Our opinion is not qualified in this respect.

### Opinion

In our opinion the financial statements give a true and fair view of the company's state of affairs at 31 December 1994 and of its loss and cash flows for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

1 Surrey Street  
London  
WC2R 2PS

31 May 1995

## Profit and loss account

For the 9 months ended 31 December 1994

	Notes	9 months ended 31 December 1994 £	Year ended 31 March 1994 £
Turnover	2	1,679,406	1,631,611
Cost of sales		(1,057,528)	(1,153,560)
Gross profit		621,878	478,051
Operating expenses	3	(557,711)	(865,574)
Operating profit (loss)		64,167	(387,523)
Interest payable and similar charges	4	(80,897)	(95,203)
Bank interest receivable		2,191	2,699
Loss on ordinary activities before taxation	5	(14,539)	(480,027)
Tax on loss on ordinary activities	7	-	-
Loss for the period		(14,539)	(480,027)
Accumulated deficit, at beginning of period		(1,040,474)	(560,447)
Accumulated deficit, at end of period		(1,055,013)	(1,040,474)

The accompanying notes are an integral part of this profit and loss account.

## Statement of total recognised gains and losses

For the 9 months ended 31 December 1994

There are no recognised gains or losses other than the loss attributable to shareholders of the company of £14,539 in the 9 month period ended 31 December 1994 and the loss of £480,027 in the year ended 31 March 1994.

# Balance sheet

31 December 1994

	Notes	31 December 1994 £	31 March 1994 £
Fixed assets			
Tangible assets	8	<u>1,867,822</u>	<u>1,921,094</u>
Current assets			
Stocks	9	528,456	372,412
Debtors	10	813,501	355,783
Cash at bank and in hand		92,965	88,252
		<u>1,434,922</u>	<u>816,447</u>
Creditors: amounts falling due within one year	11	<u>(3,352,037)</u>	<u>(1,260,166)</u>
Net current liabilities		<u>(1,917,115)</u>	<u>(443,719)</u>
Total assets less current liabilities		(49,293)	1,477,375
Creditors: amounts falling due after more than one year	12	<u>(5,720)</u>	<u>(1,517,849)</u>
Net liabilities		<u>(55,013)</u>	<u>(40,474)</u>
Capital and reserves			
Called-up share capital	13	1,000,000	1,000,000
Profit and loss account		<u>(1,055,013)</u>	<u>(1,040,474)</u>
Shareholders' deficit	14	<u>(55,013)</u>	<u>(40,474)</u>

Signed on behalf of the Board

W.A. Jones



Director

31 May 1995

The accompanying notes are an integral part of this balance sheet.

## Cash flow statement

For the 9 months ended 31 December 1994

	9 months ended 31 December 1994		Year ended 31 March 1994	
	£	£	£	£
<b>Reconciliation of operating profit (loss) to net cash outflow from operating activities</b>				
Operating profit (loss)	64,167		(387,523)	
Depreciation charges	56,153		73,479	
Increase in stocks	(156,044)		(235,402)	
Increase in debtors	(457,718)		(260,081)	
Increase in creditors	438,963		389,332	
<b>Net cash outflow from operating activities</b>		(54,479)		(420,195)
<b>Returns on investments and servicing of finance</b>				
Interest received	2,191		2,699	
Interest paid	(12,666)		(9,290)	
<b>Net cash outflow from returns on investments and servicing of finance</b>		(10,475)		(6,591)
<b>Investing activities</b>				
Purchase of tangible fixed assets	(2,881)		(132,607)	
<b>Net cash outflow from investing activities</b>		(2,881)		(132,607)
<b>Net cash outflow before financing</b>		(67,835)		(559,393)
<b>Financing</b>				
Loans received from group undertakings	100,000		200,000	
Bank loans received	-		300,000	
Repayments of capital element of finance leases	(27,452)		51,717	
<b>Net cash inflow from financing</b>		72,548		551,717
<b>Increase (decrease) in cash and cash equivalents</b>		4,713		(7,676)
 <b>Analysis of changes in cash and cash equivalents during the period</b>				
		£		£
Cash at bank and in hand:				
At beginning of period		88,252		95,928
Net cash inflow (outflow)		4,713		(7,676)
At end of period		92,965		88,252

The accompanying notes are an integral part of this statement.

# Notes to financial statements

31 December 1994

## 1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the period and the preceding year, is set out below.

### a) Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

### b) Tangible fixed assets

Fixed assets are shown at cost less depreciation.

Depreciation 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:

Freehold land	nil
Freehold buildings	30 years
Plant and machinery	10 years
Furniture and equipment	5 years
Motor vehicles	over the lease period (up to 3 years)

### c) Stocks

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

Cost incurred in bringing each product to its present location and condition is calculated as follows:

Raw materials	- purchase cost on a first-in, first-out basis, including transport
Work in progress and finished goods	- cost of direct materials and labour, plus a reasonable proportion of manufacturing overheads based on normal levels of activity

Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Any significant differences between the balance sheet and replacement cost values are disclosed in note 9. For these purposes replacement cost is based on latest calculated invoice prices before the balance sheet date.

### d) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax authorities has been calculated on the liability method. Deferred tax is provided on timing differences which will probably reverse at the rates of tax likely to be in force at the time of reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse.



## Notes to financial statements (continued)

### 1 Accounting policies (continued)

#### e) *Foreign currency*

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the period-end are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

#### f) *Turnover*

Turnover comprises the value of sales (excluding VAT and trade discounts) of goods and services in the normal course of business.

#### g) *Leases*

The company entered into finance and operating leases as described in notes 5, 8, 11, 12 and 15b).

Assets held under finance leases are initially reported at the fair value of the asset, with an equivalent liability categorised as appropriate under creditors due within or after one year. The asset is depreciated over the lease term. Finance charges are allotted to accounting periods over the period of the lease to produce a constant rate of return on the outstanding balance. Rentals are apportioned between finance charges and reduction of the liability, and allocated to operating expenses as appropriate.

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term, even if the payments are not made on such a basis.

#### h) *Pension costs*

The company provides pensions to twelve (31 March 1994 - twelve) of its employees through a funded defined benefit scheme administered by Morton International Limited, principally for the benefit of its own employees.

The assets of the scheme are held independently of the company by an insurance company.

The amount charged to the profit and loss account for the scheme is the estimated regular cost of providing the benefits accrued in the period, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future pensionable payroll. Variations from regular cost are charged or credited to the profit and loss account over the estimated average remaining working life of scheme members.

Any difference between amounts charged to the profit and loss account and amounts paid is included as a liability or asset in the balance sheet.

Further information on pension costs is provided in note 15c).

## Notes to financial statements (continued)

### 2 Segment information

The company's sole continuing activity is the manufacture and sale of specialised paints.

	9 months ended 31 December 1994 £	Year ended 31 March 1994 £
Turnover by geographical area comprises:		
UK	1,266,232	1,461,745
Europe	150,211	159,786
Rest of the world	262,963	10,080
	<u>1,679,406</u>	<u>1,631,611</u>

#### *Related party transactions*

During the period, the company made sales of £Nil (year ended 31 March 1994 - £49,413) and purchased goods amounting to £171,012 (year ended 31 March 1994 - £187,280) from Nippon Bee Chemical Co. Ltd., the company's parent company.

In addition, the company made sales of £4,444 (year ended 31 March 1994 - £34,802) and purchased goods amounting to £252,939 (year ended 31 March 1994 - £426,805) from Morton International Limited, a company which is wholly-owned by Morton International Inc., a company incorporated in the USA, and which indirectly owns 50% of the ordinary share capital of Nippon Bee Chemical Co. Ltd.

The company also made sales of £66,325 (year ended 31 March 1994 - £36,107) to Nippon Paint (Europe) Limited a fellow group undertaking.

### 3 Operating expenses

	9 months ended 31 December 1994 £	Year ended 31 March 1994 £
Administrative expenses	578,730	768,869
Other operating (income) expenses (net)	(21,019)	96,705
	<u>557,711</u>	<u>865,574</u>

## Notes to financial statements (continued)

### 4 Interest payable and similar charges

	9 months ended 31 December 1994 £	Year ended 31 March 1994 £
On bank loans		
- repayable within one year, not by instalments	14,672	10,395
On borrowings from Nippon Bee Chemical Co. Ltd		
- repayable within five years, not by instalments	66,225	84,808
	<u>80,897</u>	<u>95,203</u>

### 5 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	9 months ended 31 December 1994 £	Year ended 31 March 1994 £
a) Depreciation of tangible fixed assets		
- owned	42,134	54,736
- under finance lease	14,019	18,743
	<u>56,153</u>	<u>73,479</u>
b) Hire of vehicles and equipment under operating leases	25,938	36,058
c) Auditors remuneration		
- audit fees	-	18,000
- other	4,020	12,480
d) Staff costs (see note 6)	<u>272,024</u>	<u>509,746</u>

The audit fees for the period ended 31 December 1994 were borne 50% by Nippon Paint (Europe) Ltd., a fellow group undertaking and 50% by the parent company.

## Notes to financial statements (continued)

### 6 Staff costs

Particulars of employees, including executive directors, are as shown below:

	9 months ended 31 December 1994 £	Year ended 31 March 1994 £
Employee costs during the period amounted to:		
Wages and salaries	242,453	433,430
Social security costs	21,255	38,271
Pension costs	8,316	38,045
	<u>272,024</u>	<u>509,746</u>

The average weekly number of persons employed by the company during the period was as follows:

	Number	Number
Production	5	5
Administration	11	11
	<u>16</u>	<u>16</u>

### Directors' emoluments:

The employee costs shown above include the following emoluments in respect of directors of the company, except for amounts of £82,182 (year ended 31 March 1994 - £Nil) relating to one director which have been reimbursed by Nippon Bee Chemical Co. Ltd.

	£	£
Management remuneration and other emoluments	115,756	85,814
Pension contributions	3,201	4,600
	<u>118,957</u>	<u>90,414</u>

## Notes to financial statements (continued)

### 6 Staff costs (continued)

The directors' emoluments shown above, excluding pension contributions, included:

	9 months ended 31 December 1994 £	Year ended 31 March 1994 £
Highest paid director	<u>82,182</u>	<u>42,948</u>

The company does not have a chairman.

Directors received emoluments in the following ranges:

	Number	Number
Up to £ 5,000	3	3
£ 30,001 - £ 35,000	1	-
£ 40,001 - £ 45,000	-	2
£ 80,001 - £ 85,000	<u>1</u>	<u>-</u>

### 7 Tax on loss on ordinary activities

Due to the losses arising in the current period and prior periods, no taxation is payable. Net taxation losses of approximately £730,000 (31 March 1994 - £800,000) are available for carry forward for offset against future taxable profits arising from the same trade.

Deferred taxation assets resulting from timing differences of approximately £280,000 (31 March 1994 - £190,000) have not been recognised.

## Notes to financial statements (continued)

### 8 Tangible fixed assets

	Freehold land £	Freehold Buildings £	Plant and Machinery £	Furniture and equipment £	Motor vehicles £	Total £
<b>Cost</b>						
At beginning of period	849,642	890,116	144,586	59,766	92,178	2,036,288
Additions	-	-	1,346	1,535	-	2,881
At end of period	<u>849,642</u>	<u>890,116</u>	<u>145,932</u>	<u>61,301</u>	<u>92,178</u>	<u>2,039,169</u>
<b>Depreciation</b>						
At beginning of period	-	54,321	24,251	17,879	18,743	115,194
Charge for the period	-	22,230	10,811	9,093	14,019	56,153
At end of period	-	<u>76,551</u>	<u>35,062</u>	<u>26,972</u>	<u>32,762</u>	<u>171,347</u>
<b>Net book value</b>						
At beginning of period	<u>849,642</u>	<u>835,795</u>	<u>120,335</u>	<u>41,887</u>	<u>73,435</u>	<u>1,921,094</u>
At end of period	<u>849,642</u>	<u>813,565</u>	<u>110,870</u>	<u>34,329</u>	<u>59,416</u>	<u>1,867,822</u>
<b>Leased assets included above:</b>						
<b>Net book value</b>						
At beginning of period	-	-	-	-	73,435	73,435
At end of period	-	-	-	-	<u>59,416</u>	<u>59,416</u>

## Notes to financial statements (continued)

### 9 Stocks

The following are included in the net book value of stocks:

	31 December 1994 £	31 March 1994 £
Raw materials	247,616	203,592
Work-in-progress	-	4,098
Finished goods	280,840	164,722
	<u>528,456</u>	<u>372,412</u>

Not included in the above balance are consumable stocks costing £9,230 which were held at 31 December 1994 but which had been expensed.

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

### 10 Debtors

The following are included in the net book value of debtors:

	31 December 1994 £	31 March 1994 £
Amounts falling due within one year:		
Trade debtors	416,100	289,307
Amounts owed by other group undertakings:		
- Morton France	7,748	5,057
- Morton International Inc.	2,891	7,310
- Nippon Paint (Europe) Ltd	10,747	43,827
- Nippon Bee Chemical Co. Ltd	-	561
Other debtors		
- VAT	47,661	-
- other	4,221	6,219
Progress payments (see note 15a)	313,600	-
Prepayments and accrued income	10,533	3,502
	<u>813,501</u>	<u>355,783</u>

## Notes to financial statements (continued)

### 11 Creditors: amounts falling due within one year

The following amounts are included in creditors falling due within one year:

	31 December 1994 £	31 March 1994 £
Obligations under finance leases	18,545	33,868
Short term bank loan	300,000	300,000
Loans from Nippon Bee Chemical Co. Ltd	1,600,000	-
Trade creditors	140,283	44,325
Amounts owed to parent undertaking	585,951	483,633
Amounts owed to other group undertakings:		
- Morton France	3,298	-
- Morton International Inc.	296,151	246,969
- Nippon Paint (Europe) Ltd	365,575	-
Other creditors:		
- VAT	2,075	23,352
- other	21,065	15,458
Accruals and deferred income	19,094	112,561
	<u>3,352,037</u>	<u>1,260,166</u>

### 12 Creditors: amounts falling due after more than one year

The following amounts are included in creditors falling due after more than one year:

	31 December 1994 £	31 March 1994 £
Obligations under finance leases	5,720	17,849
Loans from Nippon Bee Chemical Co. Ltd	-	1,500,000
	<u>5,720</u>	<u>1,517,849</u>

### 13 Called-up share capital

	31 December 1994 £	31 March 1994 £
<i>Authorised</i>		
4,000,000 ordinary shares of £1 each	<u>4,000,000</u>	<u>4,000,000</u>
<i>Allotted, called-up and fully-paid</i>		
1,000,000 ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>



## Notes to financial statements (continued)

### 14 Reconciliation of movements in shareholders' funds

	31 December 1994 £	31 March 1994 £
Shareholders' deficit, beginning of period	(40,474)	439,553
Loss for the period	(14,539)	(480,027)
Shareholders' deficit, end of period	<u>(55,013)</u>	<u>(40,474)</u>

### 15 Guarantees and other financial commitments

#### a) Capital commitments

Progress payments of £313,600, as shown in note 10, have been made during the period in connection with the extension of the factory as referred to in note 17. Further costs will be incurred during the current year. There were no other capital commitments (31 March 1994 - none).

#### b) Lease commitments

The company has entered into non-cancellable leases in respect of vehicles and office equipment, the payments for which extend over a period of up to three years (31 March 1994 - three years). The total rental charge for the period was £25,938 (year ended 31 March 1994 - £36,058).

The minimum annual rentals under the foregoing operating leases are as follows:

	31 December 1994			31 March 1994		
	Property £	Office equipment £	Vehicles £	Property £	Office equipment £	Vehicles £
Operating leases which expire						
- within one year	4,250	-	-	17,000	-	-
- within 2-5 years	-	3,697	8,307	-	3,589	9,380

#### c) Pension arrangements

The company provides pensions to twelve (31 March 1994 - twelve) of its employees through a defined benefit scheme administered by Morton International Limited, principally for the benefit of its own employees.

The pension cost charge for the period was £8,316 (year ended 31 March 1994 - £38,045). There were no outstanding contributions at 31 December 1994 (31 March 1994 - None).

The pension cost is assessed in accordance with the advice of a professionally qualified actuary. The latest actuarial valuation was as at 30 September 1993 and used the projected unit method. The main actuarial assumptions were that (a) salaries would increase by 7.5% p.a., (b) pensions in payment by 3% p.a., (c) dividends by 8.5% p.a., and (d) a discount rate of 9% was assumed.

## Notes to financial statements (continued)

### 15 Guarantees and other financial commitments (continued)

#### c) *Pension arrangements (continued)*

At the date of the latest actuarial valuation, the actuarial value of the assets was sufficient to cover 98% of the present value of benefits that had accrued to members after allowing for expected future increases in earnings. The joint contribution rate has been set at 17.3% to recover this deficit.

The next actuarial valuation will take place as at 30 September 1996.

### 16 Ultimate parent company

The company is a subsidiary undertaking of the ultimate parent company, Nippon Bee Chemical Co. Ltd., incorporated in Osaka, Japan.

The only group in which the company's results are consolidated is that headed by Nippon Bee Chemical Co. Ltd. The consolidated accounts of this group are not available to the public.

As at 31 December 1994, NBC (UK) Ltd had net current liabilities of £1,917,115, and an accumulated deficit of £1,055,013. The company is financially dependent upon its parent company, from which it had received loans with a total value of £1.6 million as at 31 December 1994 (31 March 1994 - £1.5 million).

Nippon Paint (Europe) Ltd, which will become the parent company, (see note 17) has indicated that, with support from its parent company, Nippon Paint Company Limited, it will provide additional finance and continue to support NBC (UK) Ltd for the foreseeable future.

### 17 Subsequent events

The parent company, Nippon Bee Chemical Co. Ltd, is in the process of negotiating the sale of its shareholding in NBC (UK) Ltd to another group undertaking, Nippon Paint (Europe) Ltd.

As a result of this transaction NBC (UK) Ltd plans to significantly expand its operations and to this end is extending the factory to accommodate new processes and technologies resulting in significant capital expenditure as described in note 15.